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PUBLIC WORKSHOP ON U.S. DEPARTMENT OF ENERGY'S
INTERIM FINAL GENERAL GUIDELINES
AND DRAFT TECHNICAL GUIDELINES
VOLUNTARY REPORTING OF GREENHOUSE GASES (1605(b))
PROGRAM

Crystal City Marriott
Reagan National Airport
1999 Jefferson Davis Highway
Arlington, Virginia

Tuesday, April 26, 2005

8:30 a.m.

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1 P R O C E E D I N G S

2 8:30 a.m.

3 Welcome and Opening Remarks

4 MR. BROOKMAN: Good morning, everybody, and
5 welcome. This is the Public Workshop on the U.S.
6 Department of Energy's Interim Final General Guidelines
7 and Draft Technical Guidelines for Voluntary Reporting
8 on Greenhouse Gases, the 1605(b) Program.

9 My name is Doug Brookman. I'll be, along
10 with other members of the facilitation team, hoping to
11 move this meeting to a productive result today.

12 I'm fortunate this morning to be joined by
13 many federal officials and many members of different
14 departments. Let me simply introduce, as a way of
15 starting, David Conover, who is principal deputy
16 assistant secretary for policy and international
17 affairs at the U.S. Department of Energy.

18 MR. CONOVER: Thank you, thank you, and
19 thanks for coming today. If you think we're going to
20 be talking about homeland security, you're in the wrong
21 room.

22 We'll shortly be joined by Bryan Hannegan,
23 but in the meantime and to kick this off, we're really
24 pleased and honored to have three very senior
25 administration officials here as a symbolic and

1 substantive message on how important this is to the
2 administration. I would like to say a couple words
3 about each of them and then turn it over to my boss,
4 Deputy Secretary Clay Sell.

5 Jeff Holmstead is the longest-serving
6 political appointee at EPA under President George W.
7 Bush. So send flowers.

8 (Laughter)

9 MR. CONOVER: He has been an extremely busy
10 man with all of the great clean air regs and other
11 activities in the EPA office that he leads. So we're
12 very pleased that he could take time out of his
13 schedule to join us today.

14 Mark Rey is the under secretary for natural
15 resources and the environment at the Department of
16 Agriculture. The Department has been a really robust
17 partner with Energy on this project, and I would
18 encourage all of you to familiarize yourself with the
19 software that Agriculture has developed to assist
20 farmers and other landholders in dealing with 1605(b).

21 It is really an impressive display that makes one long
22 for a farm bill to fund some activities in the
23 Department of Energy.

24 And then, finally, Clay Sell, who has joined
25 the Department of Energy just a couple months ago,

1 after a long service in the U.S. Senate and then
2 intense postings at the White House. Speaking on
3 behalf of all the staff who report to Clay, we couldn't
4 be happier to have Clay Sell as deputy secretary.

5 We would say that about whoever it was up
6 here, but it's nice to tell the truth.

7 (Laughter)

8 MR. CONOVER: So these gentlemen are going to
9 provide some brief remarks and welcome you. Then I
10 believe each of them have pressing commitments, so you
11 can direct any questions that arise due to their
12 remarks to me after they're gone.

13 But with that, please welcome Deputy
14 Secretary of Energy Clay Sell.

15 (Applause)

16 Remarks by Deputy Secretary Sell

17 DEPUTY SECRETARY SELL: Thank you, David, for
18 those very kind remarks, even though they were
19 generally applicable to whoever may have been standing
20 here.

21 I'm very pleased to be here with this group,
22 and I would like to extend my personal welcome to you
23 on behalf of the Secretary of Energy. This process
24 that we have today is a major milestone in our efforts
25 to put in place a more comprehensive and credible

1 voluntary reporting program for greenhouse gas
2 emissions and reductions.

3 You all know it has taken a long time to get
4 to this point in the process, but a good part of the
5 time has been spent fulfilling our commitment to an
6 open process with regular involvement by all
7 stakeholders. Even within the administration, the
8 development of the guidelines has been an open
9 interagency process with strong involvement by a number
10 of executive agencies and White House offices, several
11 of which are or will be represented here today.

12 I'm especially glad to have Mark Rey, under
13 secretary for natural resources and environment, at the
14 U.S. Department of Agriculture, and also a former
15 Senate staffer, as I am.

16 And Jeff Holmstead, the assistant
17 administrator for radiation -- for air and radiation at
18 EPA, here. I always enjoy sitting next to Jeff. We've
19 had some great battles around the conference tables at
20 the White House as part of the interagency process, but
21 I have the greatest regard for him. It is quite a
22 tribute that he has been able to survive this long at
23 the Environmental Protection Agency.

24 Before they speak, I would like to emphasize
25 that the Secretary and I believe that the work being

1 done today and over the coming months by the Department
2 and by you is very, very important.

3 As a signatory of the U.N. Framework
4 Convention on Climate Change, the U.S. shares with many
5 other countries the long-term international objective
6 of stabilizing greenhouse gas concentrations in the
7 Earth's atmosphere at a level that would prevent
8 dangerous interference with the climate system. We
9 recognize that meeting this objective will require a
10 long-term commitment and international cooperation.

11 Under the leadership of President Bush, the
12 U.S. has formulated and is now implementing a
13 comprehensive, science-based strategy to address this
14 challenge. It focuses on reducing emissions while
15 sustaining the economic growth that will be necessary
16 to finance the needed investments in new, clean energy
17 technologies.

18 In 2002, President Bush set a national goal
19 to reduce the greenhouse gas intensity of the U.S.
20 economy by 18 percent by 2012. As part of this
21 approach, the president directed a number of actions,
22 including the topic of today's meeting, the revision of
23 DOE's 1605(b) Reporting Program.

24 The intent of the revised guidelines for the
25 1605(b) Program is to enable and encourage businesses

1 and institutions that emit greenhouse gases to begin
2 monitoring and reporting their contribution to the
3 achievement of the president's goal.

4 To be able to register such emissions, the
5 guidelines will require large emitters to complete
6 annual inventories of their emissions and use methods
7 for calculating their reductions that are consistent
8 with the president's goal of reducing emissions
9 intensity both in the United States and globally.

10 In addition to these improvements to the
11 1605(b) Reporting Program, the administration has also
12 taken a range of other actions to encourage voluntary
13 efforts to reduce greenhouse gas emissions in the near
14 term. These include DOE's Climate Vision Program as
15 well as a range of existing energy-efficiency programs
16 being implemented by the Department, but they also
17 include a number of initiatives led by EPA and the
18 Department of Agriculture.

19 So with that, I will turn it to Mark and
20 Jeff. But once again, I want to thank you for your
21 participation today. I know David looks forward to
22 your thoughtful and courteous comment on the great work
23 that he has led, and I look forward to hearing a report
24 on these discussions later in the day.

25 So with that, I will turn it over to Mark.

1 Thank you.

2 (Applause)

3 Remarks by Mark Rey

4 UNDER SECRETARY REY: Thanks, Clay.

5 It's a pleasure to be here this morning to
6 welcome you to our workshop on the Voluntary Greenhouse
7 Gas Reporting Guidelines. The Department of
8 Agriculture has been privileged to work closely with
9 the Department of Energy in preparing the sections of
10 the new guidelines that deal with forests and
11 agriculture.

12 I have to confess, though, that in addressing
13 this subject I feel a little bit like Groucho Marx in
14 the movie "Duck Soup." In that movie, Groucho played
15 the leader of a fictional country named Fredonia. When
16 running a cabinet meeting, he was handed a report and
17 asked if it was clear. His response was, "Of course
18 it's clear. A four-year-old child could understand
19 it." Then, as an aside he whispers to his assistant,
20 "Quick, get me a four-year-old child. I can't make
21 heads or tails of this."

22 (Laughter)

23 UNDER SECRETARY REY: I mention this to
24 acknowledge that I know very little about the subject
25 matter involved, but also to underscore that the issues

1 we're dealing with here, even for people with
2 substantially more background in the field than I, are
3 nevertheless complex.

4 Our goal in updating the guidelines is to
5 provide guidance that, first and foremost, is clear and
6 consistent; second, provides the basis for making
7 accurate estimates; third, ensures that the information
8 is provided in a transparent manner so that
9 participants and stakeholders have confidence in the
10 system; fourth, to address every sector of the economy
11 that emits greenhouse gases or sequesters carbon;
12 fifth, recognizes that the issues we face are varied
13 and that some flexibility is required; and finally, do
14 this in a way that is simple and straightforward.

15 Unfortunately, not all six of those are easy
16 to simultaneously achieve, and in developing these
17 guidelines we needed to balance these goals and
18 objectives. In some cases, to ensure transparent
19 reporting or to address a particular issue, we have,
20 regrettably I'm sure, increased the complexity of the
21 guidelines.

22 We're here today to seek your reaction on
23 whether the guidelines achieve the six goals that I
24 laid out and whether they meet your needs.

25 We enjoyed our role in working with DOE on

1 the guidelines. Historically, carbon sequestration and
2 emissions from agricultural sources have been among the
3 most difficult to quantify and were poorly understood.

4 However, cost-effective opportunities for reduction
5 and increases in carbon storage on agriculture and
6 forest lands are an attractive option for companies
7 seeking reductions.

8 We hope that by reducing uncertainties and
9 increasing the confidence in the reporting of
10 greenhouse gases and carbon sequestration from forests
11 and agriculture we can remove a barrier to taking
12 action.

13 Over the past two years, staff from the U.S.
14 Forest Service and the Natural Resources Conservation
15 Service, the two agencies that I'm charged with
16 overseeing, have reviewed and revised the agriculture
17 and forestry sections of the guidelines. Major
18 sections of the document that we released for your
19 review and the review of the broader public last month
20 are brand new and therefore need your intensive review.

21 We have gone well beyond the simple look-up
22 tables and provided detailed methods, computer models,
23 and protocols and guidance on how to conduct sampling.

24 We recognize, as we do in any proposed
25 regulation or proposed guideline, that we still have a

1 great deal of additional work to do. The technical
2 guidelines, while much improved, have not been
3 thoroughly tested and applied. We are therefore very
4 interested in your feedback and your initial experience
5 in applying the guidelines.

6 It is important to remember, and we try to
7 bear in mind, that the objective of this reporting
8 effort is to provide a credible record of sequestration
9 and emission reductions. At the same time, we realize
10 we must all realize that the guidelines will not be
11 successful if they are not easy to use, because if they
12 are not easy to use, they probably won't be used.

13 I appreciate you being here today to work
14 with us. There are several USDA staff that will remain
15 here throughout the workshop to answer questions and to
16 explain our role in substantially more detail than I
17 could hope to.

18 I look forward to seeing your input and
19 working with you and with the Department of Energy to
20 implement this important program. I had hoped
21 originally to be able to stay for a large part of the
22 morning to see how much of this I could absorb, but
23 unfortunately, I have a date with the Senate Energy and
24 Natural Resources Committee to discuss our largest
25 annual emission source of carbon emissions, and that

1 would be the upcoming wildfire season. So I will be
2 leaving here shortly for that purpose.

3 Thanks very much for coming.

4 (Applause)

5 Remarks by Jeffrey Holmstead

6 ASSISTANT ADMINISTRATOR HOLMSTEAD: I too am
7 delighted to have a chance to be here this morning.
8 Along with many of my colleagues, I have had a chance
9 to work with these two gentlemen up here, and I use
10 that term in the sincerest way.

11 (Laughter)

12 ASSISTANT ADMINISTRATOR HOLMSTEAD: With
13 David and Clay and Mark.

14 I want to say, first, on behalf of EPA, that
15 we have very much appreciated the opportunity to work
16 collaboratively with our other federal partners on
17 these issues. We really feel like it has been a good
18 process, even if it has been somewhat painful at times.

19 I think Mark did an excellent job of talking about the
20 competing goals that sometimes have been challenging
21 for all of us.

22 Let me just give you a little bit from EPA's
23 perspective. I think more than the DOE and probably
24 even the new SDA, we are an agency that primarily
25 employs regulatory tools. We have a number of statutes

1 that we implement that give us authority to mandate
2 regulatory programs on a number of different
3 industries. Much of the controversy that surrounds the
4 work that we do deals with these regulatory programs.

5 However, what we have learned over the last
6 decade or so is that in many cases non-regulatory
7 programs can be equally or more effective in addressing
8 environmental problems. Really, starting about 10
9 years ago, the Agency has developed a suite of non-
10 regulatory programs, some of which have been not
11 terribly effective, but some of which have been
12 extremely effective in addressing a wide range of
13 environmental issues, including the need to address
14 climate change.

15 Some of you are familiar with our flagship
16 programs. Energy Star is the one that most people know
17 about. Natural Gas Star, Climate Leaders. I know some
18 of the people in this room are from companies that are
19 Climate Leader companies.

20 We have learned that by providing information
21 to the marketplace, by providing an opportunity to
22 recognize good corporate stewards, that these programs
23 are actually enormously successful.

24 A statistic that some of you may be familiar
25 with is, we actually don't just make up these numbers.

1 It's a pretty rigorous process that we go through
2 internally and as part of the interagency process, but
3 we look at quantifying the greenhouse gas emission
4 reductions from these voluntary programs.

5 In 2003, the year for which we have sort of
6 the most recent data, we estimate that these programs
7 together prevented about 60 million metric tons of
8 greenhouse gas emissions. I'm sorry; that is 2004.
9 That is roughly equivalent to the annual emissions from
10 about 40 million vehicles, actually a big chunk of
11 achieving the reductions necessary to meet the
12 president's goal of an 18 percent reduction in the
13 greenhouse gas intensity in the economy.

14 We also recognize, though, that it is
15 important to have a system that can track and register
16 these emission production activities. We are delighted
17 to be part of this effort and the 1605(b) guidelines,
18 which the president has described as an effort to
19 create world-class standards for measuring and
20 registering greenhouse gas emissions. I think that is
21 what we are looking at doing.

22 Let me just mention a couple of things that I
23 know were of particular interest to at least many of
24 you in the audience. Much of the focus has been on CO2
25 emissions obviously, but on a per-pound or per-ton

1 basis, there are other emissions that obviously have a
2 much greater greenhouse gas-forcing potential,
3 including things like the PFCs and SF6.

4 Some of these partnerships, for example the
5 SF6 Partnership, which has helped a number of leading
6 utilities like AEP and Excelon to reduce their
7 emissions, as well as our Landfill Methane Outreach
8 Program, have really galvanized, I think, the industry
9 to take a number of steps and to make a profit from
10 something that they previously had considered to be a
11 liability.

12 In addition, the Climate Leaders effort is
13 helping companies in many sectors to demonstrate their
14 leadership by setting aggressive greenhouse gas
15 reduction goals and tracking their progress on
16 achieving these goals over time. These programs now
17 include almost 70 partners, roughly half of whom have
18 already set aggressive emission reduction goals.

19 EPA's experience with all of these programs,
20 from Energy Star to Climate Leaders to the SF6
21 Partnership, has informed the development of the new
22 1605(b) guidelines, which now have a strong role for
23 reporting and registering entity-wide emissions
24 inventories as well as emission reductions.

25 By reporting these data to 1605(b),

1 participants will identify themselves as
2 environmentally aware, improve their own understanding
3 of their greenhouse gas emissions, and create a record
4 of their accomplishments.

5 Let me just close and turn this over to David
6 by reiterating EPA's commitment to the process, which
7 is and will continue to be one of the cornerstones of
8 the president's initiative to improve significantly our
9 national greenhouse gas intensity over the next decade.

10 We look forward to working with you today.
11 There are several people from EPA who have been
12 involved in this process and will be here during the
13 day. We appreciate your efforts to make this registry
14 something that can really work for all of us.

15 Thank you very much.

16 (Applause)

17 Introductions and Workshop Plan

18 Douglas Brookman

19 MR. BROOKMAN: Do you want to lead us into
20 the next phase?

21 Good morning again, everybody. My name is
22 Doug Brookman, Public Solutions in Baltimore. Let me,
23 on behalf of the facilitation team and the support team
24 -- there are many of us -- let us welcome you as well.

25 We have a very good day for you and an

1 opportunity, I hope, for all of you to make comments,
2 ask questions, and get your voices heard on these
3 guidelines.

4 Let me get a sense of who is in the room
5 before I go much further.

6 How many of you had a chance to participate
7 in the meetings that came prior to this, at the
8 previous workshops?

9 (Show of hands)

10 MR. BROOKMAN: So the majority of you,
11 perhaps 70, 80 percent of you.

12 And how many of you are fairly new to this
13 engagement, the 1605(b) Program? How many are in that
14 --

15 (Show of hands)

16 MR. BROOKMAN: Oh, so that is the other 25
17 percent, about.

18 And how many of you have actually had a
19 chance to read through all of these?

20 (Show of hands)

21 MR. BROOKMAN: Wow, that's impressive. We
22 are on a good start already, I think.

23 And how many of you came here today with the
24 expectation of really making extensive comments?

25 (Show of hands)

1 MR. BROOKMAN: We have three. No, just
2 kidding.

3 (Show of hands)

4 MR. BROOKMAN: Five of you or so.

5 How many of you are here to comment more
6 specifically on the Interim Final General Guidelines,
7 that cluster of issues?

8 (Show of hands)

9 MR. BROOKMAN: So, 15 or so.

10 And how many of you are here to focus mostly
11 on the draft technical guidelines, that whole section
12 of stuff?

13 (Show of hands)

14 MR. BROOKMAN: So just a few of the people
15 that are really deeply into the details.

16 Okay. Let me get a sense of where the
17 sectors -- we are getting feedback. Do we know where
18 that is coming from? Can you turn that mike off for
19 right now?

20 I guess if I step further away. It's okay,
21 Dave. I got it.

22 Okay. So then, how many of you would say
23 that you're affiliated with the utilities sector?
24 Raise your hand.

25 (Show of hands)

1 MR. BROOKMAN: So, a good number of you.

2 And how many with the manufacturing or
3 industrial sector?

4 (Show of hands)

5 MR. BROOKMAN: Perhaps just as many.

6 And the NGOs and what are now called, I
7 understand, the N Groups. How many of you kind of
8 affiliate with that community, or communities I should
9 say?

10 (Show of hands)

11 MR. BROOKMAN: Not too many.

12 And, is anybody here with the agricultural
13 sector?

14 (Show of hands)

15 MR. BROOKMAN: A few. There is an additional
16 workshop being held for agriculture following this one.

17 Okay. So I think all of you have a copy of
18 the agenda in your packet. Could you take it out and
19 take a quick peek at that? That is where I'm going
20 next with this.

21 The general format for this day and tomorrow
22 until 1:00 is to provide brief overview presentations,
23 followed by opportunities for question and comment.

24 We are hoping that this workshop will focus
25 on the comment side rather than the question side.

1 Brief, clarifying questions, great. A tutorial on the
2 guidelines is not what we hope for, because we are
3 hoping to hear from those of you that have taken the
4 time and effort and are working in this domain to
5 comment on how to improve what is there. That is the
6 Department's hope and expectation.

7 So that is the kind of balancing act I will
8 be trying to do as the day goes along. So the format
9 is brief overview presentation, followed by
10 opportunities for comment and questions.

11 Okay. So if you will look at your agenda,
12 you can see there just about in the middle of the page
13 I am now talking about the Workshop Plan. Following
14 that, we are going to hear from Dave Conover. He is
15 going to provide an overview, along with Bryan
16 Hannegan, of the General Guidelines.

17 We will take a break mid-morning. When we
18 return from break, we will be having, once again, a
19 brief overview on the Entity Statements issues you can
20 see bulleted there. I'm not going to list them. You
21 can read them for yourself. Same format.

22 Following that, from about 11:30 to noon, we
23 will be talking about recordkeeping, certification,
24 verification, and process issues.

25 We will take lunch midday. In your packet,

1 you should be able to see a listing of the restaurants
2 that are adjacent to the hotel here. So we hope that
3 you can make it back in an hour because we have a lot
4 to cover in the span of the day today and tomorrow. So
5 we are going to press on to try and stay timely.

6 Immediately following lunch, we will do an
7 overview of emissions inventories, and then the
8 remainder of the day today following the afternoon
9 break is going to be in breakout sessions. You can see
10 them on page 2 of your agenda.

11 I want to call these to your attention. You
12 can see that at 2:15 there are going to be three
13 separate ones listed, and at 3:30 there will be three
14 separate subject matter breakout areas provided. We
15 are going to try and get a sense, before we go to break
16 in the afternoon, about who wishes to go to which one
17 so we can distribute you kind of equitably, as
18 equitably as we can, in those sections.

19 And so today, then, following the breakout
20 session 3:30 to 4:30, we will end the session today at
21 4:30. We will resume tomorrow morning, as we did
22 today, at 8:30, have a brief report-back coming from
23 the breakout sessions this afternoon, and then we will
24 proceed, as you can see in your agenda, to an overview
25 of emissions reductions. You can see the four bulleted

1 points there.

2 We will take a break mid-morning, and then we
3 will go back to the format we use in the afternoon
4 today: breakout sessions. Once again, you can see two
5 of them there on your agenda. From 10:00 to 11:00,
6 three separate breakout sessions, and from 11:05 to
7 12:05, once again, three separate breakout sessions.

8 Each breakout session will have a
9 professional facilitator, a qualified note-taker, and a
10 federal official who knows this subject matter at
11 various levels of competence.

12 (Laughter)

13 MR. BROOKMAN: Just testing to see whether
14 you were listening or not.

15 (Laughter)

16 MR. BROOKMAN: Most of these folks know this
17 subject area really well. Let me emphasize this is not
18 a tutorial, though. This is an opportunity for comment
19 among people that have something very useful to say on
20 how to improve what is here.

21 So that is the general plan. We will end
22 tomorrow around about 1:00. From about 12:20 until
23 about 12:50 or 1:00, we hope to keep you all here
24 during that span of time because there will be, once
25 again, a report-back and some brief summary comments.

1 So that is the general plan. Questions or
2 comments before I proceed with this? Questions or
3 comments about this general plan?

4 Let me ask for your consideration, before I
5 introduce the federal officials, or ask them in fact to
6 introduce themselves. I'm going to ask for your
7 consideration to observe these ground rules. These
8 have worked well in the previous workshops we have
9 conducted.

10 I'm going to ask simply that you speak one at
11 a time. Please say your name for the record. We have
12 a court reporter here. All of the conversation will be
13 captured, and there will be an audiotape of this
14 session for those that wish to see it.

15 All of you notice that there is a microphone
16 at your table. You need to push the button to speak,
17 and then you need to turn it off so others can speak,
18 okay?

19 I will be cuing people to speak by name as
20 best I can. But I would ask simply, in addition to
21 saying your name for the record, please keep the focus
22 here. Now would be the time to turn off your cell
23 phones. Now would be the time to turn off your cell
24 phones.

25 If you have to have a side bar conversation

1 with someone at your table, if it is going to be more
2 than about 30 seconds and if you can't do it very, very
3 quietly, we will understand if you need to take it out
4 of the room, because we want to keep the focus and
5 distraction level down.

6 I'm going to ask also, being as I have worked
7 with many of you before and I know many of you have a
8 lot to say, please try to be concise. If your preamble
9 is more than two sentences, I'm going to get nervous,
10 okay? So try and keep it as focused and direct in your
11 comments as possible. Please share the air time with
12 your colleagues and friends.

13 I guess that's it. So we were going to start
14 this morning with Dave Conover. He is going to provide
15 an overview, with the assistance of Bryan Hannegan, and
16 then -- do you want to introduce the federal officials
17 at the time?

18 We will have all the federal officials
19 introduce him- or herself.

20 Mark Friedrichs?

21 MR. FRIEDRICHS: A lot of feedback. I'm Mark
22 Friedrichs. I'm in the Policy Office at the U.S.
23 Department of Energy. I'm primarily responsible for
24 the Interim Final General Guidelines and the reduction
25 element of the Technical Guidelines.

1 I would like to ask all of the other federal
2 officials who are participating, helping lead sessions
3 or sitting up here, to identify themselves right now.

4 To my left?

5 MR. PRINCE: Ray Prince with Department of
6 Energy. I've been concentrating on inventory.

7 MR. KERR: Good morning. I'm Tom Kerr with
8 the Environmental Protection Agency. My office works
9 under Jeff Holmstead, and we are responsible for all
10 the voluntary programs that he mentioned as well as the
11 greenhouse gas inventory for the U.S.

12 MR. HOHENSTEIN: I'm Bill Hohenstein with the
13 Department of Agriculture, and the Department of
14 Agriculture contributed sections of the 1605(b)
15 guidelines relating to --

16 PARTICIPANT: (Off mike) I'm with the
17 Department of Energy, Office of General Counsel.

18 MS. HANLE: Good morning. I'm Lisa Hanle.
19 I'm with the U.S. Environmental Protection Agency.

20 MR. HARVEY: This is Reid Harvey. I'm also
21 with EPA.

22 Overview of Guidelines

23 David Conover

24 MR. CONOVER: Okay. All right. Thanks very
25 much. Obviously, the people that just identified

1 themselves are the ones who really did the work on
2 this. As a conservative Republican when I joined the
3 executive branch, I carried the bias that many of my
4 ilk do about civil servants, and I have to say that not
5 only the 1605(b) team but many, many, many people I
6 have worked with of DOE and other agencies represent
7 the career civil service extremely well. They stay
8 late and work on weekends. They're motivated to get
9 the job done.

10 I just want to say publicly to Mark and his
11 team, and Bill and Reid and others with the other
12 agencies, how much we appreciate all the hard work that
13 you did on this.

14 I, until corrected by Mark, had been saying
15 this was a world-class system already, and I guess I
16 will adopt Jeff Holmstead's view that we are on a path
17 toward a world-class system.

18 If I can get the score card, what we are
19 going to do this morning obviously, without the
20 assistance of Bryan Hannegan, is to give some
21 background on the program, the process that we have
22 gone through and the next steps.

23 I know many, many of you raised your hands
24 and were at the last workshop. I was not. I kind of
25 came in in the middle of this movie after Bob Card left

1 the Department, but I think I have a reasonable handle
2 on how we got to where we are.

3 As Doug said, please feel free to ask
4 questions throughout this presentation. I will try to
5 linger on the more substantive slides, which will
6 include an overview of the Interim Final General
7 Guidelines and then, later, discussion of the draft
8 Emission Inventory Technical Guidelines and the draft
9 Emission Reduction Technical Guidelines.

10 (PowerPoint presentation)

11 MR. CONOVER: So as I'm sure most if not all
12 of you know, this program was established by the Energy
13 Policy Act of 1992, the committee that Mark Rey worked
14 for, and our soon-we-hope-confirmed Under Secretary
15 David Garman.

16 We will call them flexible implementing
17 guidelines, were issued in 1994 and over the years
18 received some criticism for that flexibility. We have
19 enjoyed reports from over 200 entities, and those
20 entities reported thousands of projects under the
21 current existing system.

22 Of course, on Valentine's Day 2002, the
23 president directed then Secretaries Abraham, Evans, and
24 Veneman, along with the administrator of EPA, to
25 propose improvements to the registry, to enhance the

1 measurement, accuracy, reliability, and verifiability
2 of the system, working with emerging domestic and
3 international approaches.

4 This was part of an overall speech, as Clay
5 Sell referenced, that committed the United States to an
6 18 percent intensity reduction of greenhouse gas
7 emissions -- that is, emissions of greenhouse gases per
8 GDP of 18 percent by 2012 -- a call to improve the
9 DOE's Voluntary Greenhouse Gas Reporting Program, and
10 to develop recommendations for protecting real
11 reductions against future climate policy and to give
12 transferable credits for reductions.

13 Then, the president also challenged
14 businesses to take action. Jeff referenced the Climate
15 Leaders Program. He could have also referenced --
16 perhaps he did it the smart way -- transport programs
17 at EPA, who runs another outstanding program.

18 Then, we at the Department run, with our
19 agency partners, the Climate Vision Program, which is
20 similar to the Climate Leaders except for it's a
21 sectoral approach with trade association members.

22 So as we started to revise the greenhouse gas
23 registry in compliance with the president's directive,
24 the group, led by Mark and others at DOEPI, established
25 interagency working groups, issued a notice of inquiry

1 in May of 2002, held several workshops, which I hope
2 most if not all of you attended, and met numerous,
3 numerous times with different stakeholder groups.

4 When we briefed Secretary Bodman and Deputy
5 Secretary Sell on this, I asserted that they would be
6 hard-pressed to find a stakeholder group who felt
7 excluded from this process. I hope that you all share
8 that view.

9 Issued Proposed General Guidelines in
10 December of 2003. As you know, on March 24th, we
11 issued new Interim Final General Guidelines and brand
12 new draft technical guidelines and put them in the
13 Register for comment. We're here now, and some of us
14 will reconvene on May 5th.

15 The comment period is going to close on May
16 23rd, unless we extend it, and we have already received
17 one comment for a 30-day extension, and we are actually
18 considering that comment.

19 Depending on the extension of the comment
20 period, we anticipate finalizing and releasing the
21 effective guidelines on September 20th. On or about
22 that same date, we expect EIA to issue its final forms.

23 We anticipate that they will be released in draft
24 during the comment period on the Interim Final and the
25 draft technicals, and then we will coordinate with EIA,

1 as we have done, throughout this process so that we are
2 on the same page in the fall with the generals, the
3 technicals, and the forms.

4 Unfortunately, the software development must
5 succeed the finalization of the forms themselves, so
6 software we would expect to be out sometime next year.

7 While you can presumably report this on the basis of
8 the forms when those go final this fall, we would
9 expect more participants to be reporting next year
10 after the software is available.

11 So while we took seriously all the comments
12 that were made on the Proposed General Guidelines, we
13 didn't make a lot of changes to the overall structure.

14 So this all looks, or should look, pretty familiar in
15 terms of the basic architecture of the program.

16 As Jeff Holmstead pointed out, for those who
17 seek to register reductions, we require entity-wide
18 reporting on both your inventories of greenhouse gases
19 and your reduction activities. We require you to
20 inventory all the protocol greenhouse gases and report
21 on your sequestration activities.

22 The registered reductions are available only
23 for post-2003 activities, and the reductions are
24 derived mostly from emissions intensity and related
25 measures, although absolute reduction efforts are also

1 recognized. And then, small emitters may limit their
2 reports to single activities.

3 We did make some changes and answer some
4 questions that we posed in the 2003 proposal, and that
5 is under the Interim Final General Guidelines
6 international emissions and emissions reductions can be
7 reported. We can talk further about how that actually
8 works.

9 We have provided more detailed requirements
10 for defining yourself when you enter the system, for
11 comparing your entity statement, and for the way you
12 actually do the inventories and calculate your
13 reductions. We added a quality rating system for your
14 inventory under which you need to achieve a score of
15 3.0, a B average, to register reductions associated
16 with your activities.

17 Then, we modified the de minimis provision so
18 that it is a flat percentage, not a percentage for
19 10,000 tons, whichever was less.

20 So to the extent that you commented on those
21 questions raised in the proposal, we have heard you and
22 we have modified it.

23 What are the key elements of the draft
24 technical guidelines? Well, we have emissions
25 inventory methods for all the main sources with these

1 quality ratings that lead you to your 3.0, we hope, and
2 we include reduction calculation methods for various
3 subentities you may have.

4 We talk about how to set your base period and
5 construct your base value, and then we have some
6 method-specific guidance, particularly for electricity
7 generators and users, which are, as you might imagine,
8 a large component of the reports that we have received
9 and the reports that we expect to receive.

10 This I think is the most useful slide. The
11 slides are in their packets, is that right?

12 MR. FRIEDRICHS: No, they aren't. One of the
13 things we should have mentioned was that the slides
14 will be on the Web before the end of the week. But we
15 don't have hard copies available now. Sorry.

16 MR. CONOVER: I find this to be the most
17 useful -- I mean, this is sort of the piece of paper
18 that I leave laying around when I expect to be asked
19 about this program.

20 As you can see, we have bracketed the large
21 emitters who are seeking registered reductions with
22 small emitters who can register their reductions but by
23 applying with somewhat less process. They do an
24 inventory of selected activities, and they calculate
25 the reductions for those activities, look at any

1 potential offset reductions, and then register those
2 reductions.

3 Then, to the far right, reporting-only
4 entities. Those folks aren't seeking registered
5 reduction, and by and large, with some exceptions, they
6 are operating basically under the 1994 guidelines.
7 They do need to calculate their reductions at any level
8 for any year, and it can be for a project or a
9 facility. It can go back before 2002. They don't have
10 to do a full inventory, and then they report their
11 reduction activities. So that ought to sound very
12 familiar to people who participate in the old system.

13 However, then in the middle, with the blue
14 and the red boxes, if you are a large emitter and you
15 want to register your reductions, you need to do an
16 entity-wide emissions inventory covering all the gases
17 and sequestration activities. You then calculate your
18 reductions across your entire entity.

19 Again, your definition of entity is up to
20 you, but once you choose that entity, you include any
21 subentities underneath it, whether they are a plant or
22 facility or project.

23 Then you look for your offsets and you factor
24 in your avoided emissions and any sequestration
25 projects you might undertake. You add all that up, and

1 you've got registered reductions.

2 Is that pretty clear?

3 (No response)

4 MR. CONOVER: Throughout this process, we
5 have uncovered several cross-cutting issues, and we are
6 going to talk about those today as we go through this.

7 There has been this concern about, well, if you are
8 only reporting, you are a second-class citizen, versus
9 if you are registering reductions.

10 The fact that we are publishing this in the
11 Code of Federal Regulations makes some people nervous,
12 but in actual fact it continues to be and will be a
13 voluntary program. The publication in the CFR or the
14 fact that some elements of it look rule-ish doesn't
15 make it a mandatory program. It is still voluntary.

16 Whether we can hit our effective date and
17 when you can start reporting is obviously a crucial
18 question. These guys work hard, but there are few of
19 them. So we will do our best to meet the deadlines
20 that we have established for ourselves.

21 Whether we ought to extend the comment
22 period. I guess I would be shocked if anybody raised
23 their hand and said, "No, don't extend the comment
24 period."

25 And then, the relationship to Climate Leaders

1 and Climate Vision. I thought Mr. Holmstead was quite
2 eloquent on the point that this is the registry for the
3 various voluntary programs that we have announced over
4 the first four years of the Bush administration. So
5 those are some key issues that we hope that you will,
6 as Doug said, opine helpfully on today.

7 So, why should you report? Well, as Jeff
8 said, it demonstrates your commitment to reducing
9 greenhouse gas emissions. The president has set a
10 national goal. We need your help to achieve that goal.

11 We will report into the system. It is admittedly not
12 comprehensive, admittedly not universal, but
13 nonetheless is a tool for helping us track progress
14 toward that goal.

15 We want to establish, and you ought to want
16 us to establish, an official government record of your
17 activities. When I was on Capitol Hill, that was sort
18 of the end of the first debate about credit for early
19 action. We can talk about that later today, but at the
20 very least your reporting in 1605(b) establishes a
21 permanent record of your activities.

22 You and the entities you represent ought to
23 want to initiate a comprehensive program of greenhouse
24 gas emissions monitoring and management because
25 managing your greenhouse gas emissions generally means

1 managing your money, and it is generally a cost savings
2 for you.

3 So while there is going to be -- admittedly
4 this is in flex and to some degree a burdensome new
5 provision of a program, I personally believe, and I
6 hope others who are far more experienced than I agree,
7 that making that investment up front will yield payoffs
8 down the road just from a corporate bottom line
9 perspective.

10 And then you can always hold out hope that
11 documenting your reductions today might be recognized
12 by future congresses when they, if they, enact
13 mandatory greenhouse gas reduction programs.

14 So, what are some key issues for discussion?

15 The inventory methods and quality ratings, our choice
16 of what ratings go with what methods, and what methods
17 go with what sectors. The emission reduction methods
18 themselves, including the practicality of those methods
19 for assessing entity-wide reductions, issues of
20 organizational boundary and ownership of emissions
21 reductions. The basket of issues associated with
22 indirect emissions reductions, the basket of issues
23 associated with offset emission reduction.

24 We are so far ahead of schedule, we may just
25 finish the whole thing up today.

1 MR. BROOKMAN: Don't count on it.

2 (Laughter)

3 Question-and-Answer Session

4 MR. BROOKMAN: Would you go back to the
5 previous slide?

6 MR. CONOVER: I'll try.

7 MR. BROOKMAN: We'll leave that one queued
8 up.

9 Where I would like to start with the question
10 and comment this morning is more general, overview
11 kinds of statements, David, if that is okay with you.

12 MR. CONOVER: Yes, please.

13 MR. BROOKMAN: Yes. I would like you to stay
14 right there.

15 MR. CONOVER: I will do that.

16 MR. BROOKMAN: If all of you could turn these
17 table tents kind of toward me so that I can read them,
18 and I'll try and recognize you by name.

19 So, comments at the outset about the larger
20 issues, the broad issues, the overview type issues
21 before we go to the more specific inventory and
22 reduction method kinds of comments and issues.

23 Yes, please. Bill Fang.

24 I'm going to ask everybody, please say your
25 name for the record. For our court reporter, the

1 gentleman just in the middle of Dave's comments, that
2 was Dave Friedrichs.

3 Bill.

4 MR. FANG: Bill Fang with the Edison Electric
5 Institute. Dave Conover mentioned in his opening
6 remarks that DOE has received criticism for flexibility
7 in the guidelines. I would like to state for the
8 record on behalf of our industry that we think
9 flexibility is extremely important for the continuing
10 success of the 1605(b) Program.

11 There are some obvious reasons why. It is a
12 voluntary program, and we are glad that DOE has
13 reemphasized that. And these are guidelines; they are
14 not rules or regulations. So flexibility is something
15 that we think is an advantage and should be continued
16 if the program is going to continue to be successful.

17 MR. CONOVER: Thank you. I appreciate your
18 discipline.

19 I agree with that, by the way, and I should
20 have been more clear that what I was talking about was
21 what some might characterize as the excessive
22 credibility, the flexibility, read lack of credibility,
23 of the previous guidelines, not these. We have tried
24 to balance flexibility with rigor and credibility in
25 this process.

1 Thank you.

2 MR. BROOKMAN: Other overview comments or
3 broad comments at the outset?

4 Robert.

5 MR. SCHENKER: I'm Bob Schenker. I'm with
6 the General Electric Company. What I would like to do
7 is, in the introduction on page 5 of the General
8 Guidelines, there is a statement on what Section
9 1605(b) of the Energy Policy Act of 1992 directs the
10 Department of Energy to do.

11 I'm quoting: "Section 1605(b) requires that
12 DOE guidelines provide for the accurate and voluntary
13 reporting of information on 1) greenhouse gas emission
14 levels for a baseline period, 1997 to 1990, and
15 thereafter annually; 2) greenhouse gas emission
16 reductions" --

17 MR. BROOKMAN: Hey, Bob, hang on just a
18 second. Page 5?

19 MR. SCHENKER: This is of the PDF version.

20 MR. BROOKMAN: The PDF version.

21 MR. SCHENKER: It was downloaded from the
22 website.

23 MR. BROOKMAN: Okay, okay.

24 MR. CONOVER: On the Federal Register it's
25 15170.

1 MR. BROOKMAN: Can you find it on here?

2 MR. CONOVER: 15170, Part 1A.

3 MR. BROOKMAN: Let's see if we can find it so
4 everybody can read with you.

5 MR. SCHENKER: It's under Introduction. I've
6 got it here. It's the second column in the middle.
7 This is on page 15164, under Introduction. It's very
8 interesting. The text here is different from --

9 MR. BROOKMAN: Well, that's because you need
10 to be on 15170.

11 MR. SCHENKER: Hmm?

12 MR. BROOKMAN: You need to go to 15170 under
13 Introduction, 1A. It's stated differently in that.

14 The left-hand page, first column.

15 PARTICIPANT: The first part of this Federal
16 Register reprint is actually the notice of availability
17 for the technical guidelines. It's a little confusing.

18 MR. BROOKMAN: Thank you.

19 MR. SCHENKER: I'm on the left side now,
20 under A) Background Introduction.

21 "Section 1605(b) requires the DOE guidelines
22 to provide for the accurate and voluntary reporting of
23 information on 1) greenhouse gas emission levels for
24 the baseline period; 2) greenhouse emission reductions
25 and carbon sequestration regardless of the specific

1 method used to achieve them; 3) greenhouse gas emission
2 reduction achieved because of voluntary efforts, plant
3 closings, or state and federal requirements, and for
4 the aggregate calculation of greenhouse gas emissions
5 by each reporting entity."

6 This is what Congress expected Department of
7 Energy to do. We believe that there are a few places
8 where Department of Energy has moved away from this
9 direction, and I will get to those specific issues as
10 we reach the correct time.

11 MR. BROOKMAN: Okay. Thanks for pointing
12 that out. That was Bob Schenker.

13 MR. CONOVER: That's right. And the
14 balancing act that we needed to go through here to
15 fulfill the president's directive while staying true to
16 the statute resulted in this dual program where you can
17 still report on your activities just as this is
18 outlined here. But if you want to register a
19 reduction, you're going to need to go through some
20 additional process.

21 So I hope that we'll find that you can still
22 participate in the program exactly -- we've got general
23 counsel here that has been involved with this
24 throughout -- but exactly as it is laid out here today.
25 It is just the requirements for registering reduction

1 which are admittedly different from this.

2 MR. BROOKMAN: Other overview comments,
3 comments at the outset?

4 Yes, please. And your name?

5 MS. LEV-ON: I'm Miriam Lev-On. (Off mike)

6 MR. CONOVER: Yes. We had a -- this was an
7 issue -- thank you. This was an issue that was raised,
8 actually, by Bill Fang and others in the comment period
9 on the December '03 proposal. We sought guidance from
10 the people who actually administered the Code of
11 Federal Regulations, and you'll see in the preamble a
12 discussion of that, I believe, at -- well, as I look
13 for that, there is no conflict between the fact that
14 this remains a voluntary program and yet the provisions
15 are being published in the Code of Federal Regulations
16 and in the Federal Register.

17 They are -- the guidelines themselves bind
18 participants who seek registered reductions; i.e., if
19 you want to play the game, you have to play by the
20 rules that we set out, but you don't have to play. It
21 is a completely voluntary system, and publication in
22 the Code of Federal Regulations has absolutely no
23 impact on that fact.

24 I will find that cite and get back to you on
25 that.

1 MR. BROOKMAN: Yes. Your name, please.
2 Please.

3 MR. GALEANO: Thank you. Sergio Galeano from
4 Georgia Pacific. I would like to ask Mr. Conover
5 perhaps if he could expand on the information supplied
6 about reporting and the recognition. An advantage of
7 reporting was mentioned or indicated in the slide, the
8 recognition of those reductions. Perhaps there should
9 be more discussion or clarification about the
10 differentiation between reporting and registration.

11 MR. CONOVER: Sure, sure.

12 MR. GALEANO: So, please. Thank you.

13 MR. CONOVER: We will obviously be getting
14 into more detail on this throughout the day and into
15 tomorrow, but I'll just say this. If you wanted to
16 report into the old system, for whatever reason you had
17 to report into the old system, that reasoning is still
18 valid: if you wanted to demonstrate a commitment; if
19 you wanted to practice for when this, if this, ever
20 became mandatory; if you wanted to get some reports out
21 there so that government officials later on would be
22 able to look back and say, "Yes, you did something in
23 1989 or 1990."

24 All of those reasons are still valid for
25 reporting into the system as a reporter only and also

1 for seeking to register reductions. What you are going
2 to get when you register a reduction is a letter back
3 from the Energy Information Administration, EIA, saying
4 you, Georgia Pacific, have complied with the
5 requirements of this voluntary program and you have
6 registered with us X tons of carbon dioxide equivalent.

7 You will have that piece of paper to do with
8 what you will. You may seek to go to the Chicago
9 Climate Exchange and sell it. You may wish to hold
10 onto it for potential for future climate policy that is
11 mandatory. You may wish to include it in your annual
12 report as a concrete, tangible demonstration of your
13 commitment to reducing greenhouse gases.

14 All of those reasons -- I mean, every entity
15 that reports is going to have a mix of those reasons,
16 and possibly no two entities are going to have the
17 exact same suite of reasons.

18 MR. BROOKMAN: Thank you. That was Sergio.

19 MR. CONOVER: The issue of the Federal
20 Register and the CFR is discussed at -- and everybody
21 has this, right, in their packets? All right.

22 15176 in the third column at 0.6. So that
23 states it more clearly and eloquently than I could.

24 MR. BROOKMAN: Thank you.

25 William.

1 MR. NICHOLSON: Bill Nicholson with the
2 American Forest and Paper Association. I would make
3 the observation that to the extent that pledges were
4 made under Climate Vision and perhaps under Climate
5 Leaders on systems that are inconsistent with this
6 system because they were done before, you may find that
7 those that pledge may wish to change their pledges, at
8 least.

9 MR. CONOVER: Noted. No, I think that that's
10 an area that we need to have ongoing discussions both
11 in terms of can we improve the guidelines so as to
12 facilitate the honoring of previous commitments. My
13 hope is that we could do that if we need to.

14 And if there are, you know, fundamental
15 incompatibilities with commitments that were made in
16 good faith and this new reporting system, then we've
17 got to figure out a Plan B, and our door is open on
18 that.

19 MR. BROOKMAN: Some of these details and
20 specifics we hope will come out in the breakout
21 sessions.

22 Yes. Jim first, and then I'll come over to
23 you.

24 MR. MUTCH: Jim Mutch with Xcel Energy. One
25 of the issues that I think needs discussion is third

1 party reductions. That is, reductions that are made
2 outside the entity the way the entity is defined, that
3 the entity funds or buys a service from the third party
4 that results in reductions, and how the entity then is
5 able to get credit for that.

6 MR. BROOKMAN: Will you say specifically what
7 the issues are that concern you?

8 MR. MUTCH: Well, it gets into some of the
9 issues that are probably going to be discussed in the
10 breakout sessions, but it is issues of purchased energy
11 or what we call in the utility business purchased power
12 from third party generators and the emissions
13 associated with those.

14 MR. BROOKMAN: Say generally what is it about
15 the guidelines as written that you would change or is
16 deficient? Are they not specific enough; you don't
17 like the direction of them; what is it?

18 MR. MUTCH: I think it's basically that the
19 guidelines seem to raise a barrier to an entity taking
20 credit for emissions that occur outside the entity's
21 boundary at a third party.

22 MR. BROOKMAN: The barrier is based on?

23 MR. MUTCH: Based on the guidelines, the way
24 -- which entity is authorized or allowed to register
25 the reductions.

1 MR. BROOKMAN: Okay. Thank you.

2 MR. CONOVER: Yes, that's a very important
3 point. I congratulate Xcel Energy for being among the
4 first to submit written comments to the Department that
5 those -- actually, for those that are interested, those
6 comments will be on our website probably by the end of
7 the week. Somebody had a paper copy of them from my
8 staff here earlier.

9 PARTICIPANT: I think those comments are
10 already --

11 MR. CONOVER: Are they already on the DOE
12 website? And then also, just as a reminder, we'll have
13 -- or news, I guess -- we'll have a transcript of this
14 session and all the plenary discussions and an audio
15 recording on the website within the next couple of
16 weeks as well.

17 MR. BROOKMAN: Okay. Dave?

18 MR. FINNEGAN: Dave Finnegan, Mayer, Brown,
19 Rowe & Maw. In regards to the rule issue, I wanted to
20 raise it. We understand that listing the guidelines as
21 a rule does not affect the issue of whether or not to
22 report or register.

23 However, once the entity decides to report,
24 what is the effect of designating them as a rule
25 regards to the actual reporting and its acceptance by

1 EIA should someone administratively -- not judicially,
2 administratively -- question such acceptance as not
3 being in compliance with the requirements. The word
4 "requirements" is in the guidelines, as is the word
5 "prerequisite" and "shall," the Interim Final
6 Guidelines.

7 So it seems to us that the word "rule" sets
8 you up for a challenge at least on an administrative
9 basis of the acceptance. That could be important in
10 the context of someone using, as you suggested, a paper
11 for the Chicago Climate Exchange or something else.

12 MR. BROOKMAN: Would you suggest a remedy?

13 MR. FINNEGAN: Not designating them as a
14 rule. Publishing them in the CFR is not a problem.
15 Not designating them as -- it is designating them as a
16 rule.

17 MR. CONOVER: Thank you for that. Dave
18 Finnegan and I have had conversations about this in the
19 past, and we understand your concern on this. We're
20 kind of -- the more we talk about it, the better I
21 understand what you are saying. I think you were kind
22 of coming down to the crux of the matter, which is
23 that, yes, you have to comply with the rules we've set
24 out if you want to get a registered reduction. That is
25 very clear.

1 So to the extent that you don't comply with
2 the rules we've set out and somehow EIA issues you a
3 registered reduction, someone may seek some, you know,
4 administrative sort of ad hoc remedy on that. I think
5 that's unlikely, but nonetheless, it is within the
6 realm of possibility.

7 But the fact that we've designated them as a
8 rule -- and I'm not an APA lawyer, so I'm not 100
9 percent clear on this. But if EIA is going to be
10 issuing pieces of paper to people that they think might
11 have value, whether we put it in the CFR or whether we
12 designate it as a rule, I question whether that makes a
13 difference in terms of dealing with the concern that
14 you have, which is somewhere somebody is going to say,
15 "No, wait, wait, wait, wait, wait. That's not right
16 because they didn't do X, Y, or Z."

17 But we will continue to take this to heart
18 and continue to talk to our general counsel's office
19 about that issue. I appreciate the elucidation on
20 that. For some reason, it clicked a little more
21 clearly the way you just said it than a couple times
22 before.

23 MR. BROOKMAN: Thank you.

24 Other kind of overview comments before we
25 move to these perhaps more specific issues listed on

1 the screen on both sides of the room?

2 (No response)

3 MR. BROOKMAN: Okay. So general issues, we
4 have kind of dealt with those.

5 We will start with inventory methods and
6 quality ratings. We can consider all of these at the
7 same time, I guess.

8 General comments on those? We will get into
9 these in greater detail in the breakouts.

10 Yes, please. Sergio.

11 MR. GALEANO: Just to break the ice, in
12 talking in general about the rating system, that is not
13 really cohesive across the sources, a stationary or
14 mobile or industrial categories. That rating system to
15 have a justification, in my mind, as many others,
16 should have passed two tests.

17 First, there should be a demonstration that
18 indeed there is a difference in accuracy and other
19 criteria between A to D. I cannot find that
20 demonstration in the documents.

21 Second, if indeed there has been and we prove
22 that there is a difference in accuracy between the
23 rating levels, there should have been a cost benefit to
24 make clear that the margin of cost to achieve that
25 level of increase in accuracy is justifiable or

1 acceptable. That is also missing in the report.

2 I wonder if those studies have been done and
3 where we can obtain them.

4 MR. CONOVER: Thank you for that. Believe it
5 or not, I actually did read every word of the general
6 and technical guidelines some time ago, and I guess
7 when I read it I thought that even the mere
8 descriptions of the different methodologies made clear
9 why one was superior or more likely to be accurate than
10 another. It seemed sort of intuitive to me when
11 reading the descriptions. Perhaps I'm wrong about
12 that.

13 In terms of the cost benefit analysis, Mark
14 and I have discussed the difference in this voluntary
15 program versus what would be required under a
16 mandatory, congressionally enacted mandate that you
17 reduce with some sort of penalties if you don't.

18 That is, I think, your question, is an
19 example of the kind of enhanced rigor that would be
20 required under a mandatory system that frankly I don't
21 think is necessary under a voluntary program such as
22 this.

23 But, Mark, can you help me out on this one?

24 MR. BROOKMAN: Mark Friedrichs.

25 MR. FRIEDRICHS: The inventory section is not

1 the area that I was directly responsible for, but in
2 general, we found it impossible to use a single
3 methodology for distinguishing the relative ratings of
4 different measurement and estimation methods for all of
5 the sources.

6 We tried to lay out a general methodology
7 which took into account reliability as well as other
8 factors in setting up these ordinal ratings. One of
9 the issues that we really want stakeholders to comment
10 on during this public comment period is the
11 appropriateness of those ratings.

12 So I encourage those of you who are expert in
13 each of these areas to give us specific comments where
14 you believe we got that relationship wrong or right.

15 MR. CONOVER: That's a very helpful comment.

16 MR. FRIEDRICHS: Thanks.

17 PARTICIPANT: (Off mike)

18 MR. FRIEDRICHS: The details will come up in
19 the breakout sessions on inventory, of course in your
20 written comments, but if you have general comments like
21 the one just raised by Sergio, very appropriate to
22 bring it up right now to address this broader question
23 of how we should distinguish between the different
24 measurement and estimation methods identified in the
25 inventory guidelines.

1 MR. BROOKMAN: Do you want to go now, Bob?
2 Bob Schenker, and then I'm coming back to you, Sergio.

3 MR. SCHENKER: Bob Schenker, General
4 Electric. We have gone through the rating. I've
5 actually rated my 2003 inventory using the process. I
6 think inherently it is a good idea. We actually
7 achieved a three. I was a little bit surprised, but we
8 did achieve a three.

9 However, where I'm really concerned is the
10 discussion that DOE is going to reevaluate this three
11 and possibly ratchet it up over time. That is a big
12 concern. The reason for it is that the four ratings,
13 particularly where they just talk about direct
14 measurement of CO2, is totally unrealistic. I will get
15 into the details later, but basically, very, very few
16 non-electric power-producing boilers in the United
17 States are equipped with any CO2 emission monitors and
18 are not likely to anytime in the foreseeable future.

19 MR. CONOVER: You make two points on that.
20 Thank you for that.

21 MR. BROOKMAN: Dave Conover.

22 MR. CONOVER: If GE couldn't get a three,
23 we'd probably be in big trouble.

24 But the guidelines are going to be revised on
25 a three-year basis. That revision will incorporate

1 stakeholder meetings, workshops perhaps, public
2 comment. We're not going to just in the dark of night
3 ratchet up your score. So there will be definitely be
4 a process.

5 On the other hand -- and did we really only
6 have one NGO represented here today?

7 MR. BROOKMAN: I think there were three.

8 MR. CONOVER: The credibility of the system
9 requires that we recognize state of the art monitoring
10 capabilities. Obviously, you know, multinational,
11 multi-product manufacturers are not going to be
12 installing CEMs all over the place. But on the other
13 hand, there may be new methodologies that emerge that
14 are employed and that would require us, in order to
15 maintain the credibility of the system, to adjust the
16 rating.

17 So that is the intent, but there is going to
18 be a lot of process and dialog before changes are made.

19 This was a major undertaking to get through this, so
20 we're not keen to just blithely change things in the
21 future.

22 MR. BROOKMAN: Sergio.

23 MR. GALEANO: Another related point. One of
24 the things that I noticed on the technical guidelines
25 is that you have added principles. Principles are

1 good, but in this specific case of the rating, in the
2 principle of accuracy, there is an added paragraph
3 which reminds the reader that there is another
4 dimension to accuracy that even if -- addresses the
5 cost benefit that I have been addressing.

6 Unfortunately, that was not factored in what
7 we are doing on that proposed rating. That just was my
8 point.

9 MR. CONOVER: I understand. Again, as Mark
10 said, it would be extremely helpful that we will have
11 this transcript. Your comments constitute comments
12 here, but to have sort of a detailed analytic
13 submission would help us greatly on that point.

14 MR. BROOKMAN: Yes. Bob, go ahead.

15 PARTICIPANT: I'd like to follow on to
16 Sergio's comments. Going from a three to a four might
17 mean investments of millions and millions of dollars.
18 I think that's the point that Sergio was making.

19 Keep in mind that those millions and millions
20 of dollars that we are spending trying to get a certain
21 score to register our reductions are millions of
22 dollars that probably would be diverted from actual CO2
23 emission reduction.

24 MR. FRIEDRICHS: Mark Friedrichs. This is a
25 point that we really do want to focus comment on in the

1 relationship between continuous emissions monitoring
2 and mass balance techniques.

3 It's my understanding that in some areas
4 there may not be a large gain in accuracy by the use of
5 CEM, and so we may not -- distinguishing the ratings
6 between the two may not be appropriate.

7 But again, we need to make that judgment on a
8 source-by-source basis. So comment in this area would
9 be very much appreciated.

10 MR. BROOKMAN: Lee Ann first, and then back
11 to Bill.

12 MS. KOZAK: Lee Ann Kozak, Southern Company.

13 Just on a general basis, there seems to be some
14 inconsistencies and gaps in treatment of inventories
15 and reductions for electricity produced and electricity
16 that's used. I won't get into the details of that
17 right now. I'll bring up some of them over the course
18 of the next day and a half as well as in the written
19 comments.

20 I guess one suggestion that I have for
21 perhaps clarifying some of the methods and getting
22 better consistency would be to have a section of the
23 technical guidelines devoted to electricity. That way,
24 everything could be set up together, put side by side,
25 and it would be a lot easier to see how it all fits

1 together and to ensure that the methods are more
2 consistent.

3 MR. BROOKMAN: Thank you.

4 MR. CONOVER: That's a really useful
5 suggestion. Thank you.

6 MR. BROOKMAN: Bill, and then Miriam.

7 MR. NICHOLSON: Bill Nicholson, American
8 Forest and Paper Association. Going back to the
9 potential changes in the future, I would observe that
10 the baseline is going to be the way it is going to be.

11 If you ratchet up the standard, someone may well have
12 a 3.0 baseline. The GE example is a good one for what
13 they were doing. If you have, say, a three and a half
14 requirement later on, nobody -- you're not going to be
15 able to go back and change that baseline quality
16 estimate.

17 So you are going to be comparing a future
18 three and a half, if you raised it, to a three
19 baseline, and then you're comparing apples and oranges.

20 MR. CONOVER: I think there are two different
21 issues here. One is, do we recognize new methodologies
22 in a sector such that the A, B, C, or D is different in
23 the future. That is one question, and that's what I
24 thought that GE was talking about.

25 And then, two is, if we go from requiring a

1 three to requiring a B-plus or a three and a half or a
2 four, okay, that -- I answered the other one thinking
3 that that's what you were talking about.

4 I understand exactly your point. Yes, you're
5 absolutely correct. The way my head had been wrapped
6 around it was that we were talking about new
7 methodologies, changing the mix of methodologies that
8 went into your rating, not changing a three to a three
9 and a half. But obviously, any future DOE, after
10 public process, could take that other choice. It just
11 never occurred to me that that was what we were
12 thinking about doing.

13 MR. BROOKMAN: Miriam.

14 MS. LEV-ON: I wanted to --

15 MR. BROOKMAN: Miriam, you need to get close
16 to that microphone.

17 MS. LEV-ON: Yes. Miriam Lev-On on behalf of
18 the American Petroleum Institute. I wanted to address
19 the quality rating, especially as it pertains to the
20 API Compendium because DOE references the API
21 Compendium throughout the guidelines.

22 One of the problems that we have is that
23 typically the assignment of C ratings to all the
24 default emission factors based on general activity
25 data. Not all default emission factors that are based

1 on general activity data are of the same gender because
2 some of them are based on a lot of activity data that
3 are really representative of the sector and some may be
4 based on a couple of points that are not truly
5 representative.

6 So automatically putting in a C rating on all
7 of these emission factors, the grades -- the emission
8 inventory for many of the sub-sectors within the oil
9 and gas industry where the only data that is available
10 are these kind of default emission factors that
11 characterize a sub-sector.

12 So that is primarily our comment. We will
13 have more, I think, on the written comments.

14 MR. CONOVER: I understand your comments, but
15 I would ask Mark or Ray to respond.

16 MR. BROOKMAN: Ray Prince.

17 MR. PRINCE: Ray Prince with DOE. We have in
18 fact attempted to distinguish between the default
19 ratings which were based on a large sample as opposed
20 to a very small sample. If we've made a mistake in
21 some place where we failed to follow that principle,
22 (off mike) any recommendations.

23 MR. BROOKMAN: I'm sure the Department would
24 welcome your e-mailed comments on how that might be
25 further differentiated.

1 MR. CONOVER: Yes, we would.

2 MR. BROOKMAN: Yes, please. In the back.
3 Your name, please?

4 MR. BHATIA: Pankaj Bhatia from World
5 Resources Institute, Washington, D.C. I just wanted to
6 comment on the rating system, the conversation that
7 we're having here. I think it's a very positive
8 approach that is provided in the new 1605(b). I think
9 we recognize that there are some concerns and it can be
10 expensive, you know, in changing your choices on
11 different options that are provided to moving from C to
12 approach full. It could be quite expensive, that is
13 true.

14 But I think one of the purposes of the new
15 1605(b) is to provide leadership and to provide some
16 aspirational standards for companies to improve (off
17 mike.) So I think by providing this kind of structure,
18 this provides encouragement and it provides an
19 incentive for companies to try to collect in a more
20 accurate manner, trying to use better approaches.

21 So in that sense, I think it is a very good
22 development, but I think also, recognizing the
23 concerns, one of the things that should be noted is
24 that none of these are required. All these are
25 optional approaches. So you could use four or three or

1 two or one.

2 But one of the things to consider is that if
3 you are registering reductions -- if I understand
4 correctly the 1605(b) guidelines, if you are
5 registering reductions and you are required to be above
6 a certain level, but then above that level there are
7 other options. So still you can make a choice.

8 Above all, I think it helps to provide some
9 transparency in terms of the kind of methods that a
10 company is using to quantify their emissions intensity
11 and reductions.

12 So looking at a number of these factors, it
13 is an aspirational standard. It provides transparency.
14 It helps companies to improve -- I think it's very
15 good.

16 MR. CONOVER: Thank you very, very much for
17 that.

18 (Laughter)

19 MR. BROOKMAN: That was Dave Conover.

20 Other comments? And particularly looking at
21 this list --

22 MR. CONOVER: Particularly comments like
23 that.

24 (Laughter)

25 MR. BROOKMAN: -- of bulleted points here.

1 Your name, please? Use the microphone.

2 PARTICIPANT: I don't know if this is
3 directly related to any of that, but could someone
4 comment just briefly on the possible interrelationship
5 between these guidelines and the information quality
6 guidelines?

7 MR. CONOVER: I can't. You mean the Data
8 Quality Act?

9 PARTICIPANT: (Off mike)

10 MR. CONOVER: Phew. Well, gosh. We don't
11 have -- Mike, can you pitch in on this?

12 MR. BOWERS: I know what you're talking
13 about.

14 (Laughter)

15 MR. CONOVER: I could do that. Mike knows
16 what you're talking about, and as a consequence, he
17 doesn't want to be on the record.

18 (Laughter)

19 MR. BOWERS: I was aware that --

20 MR. CONOVER: Mike.

21 MR. BOWERS: Oh, Mike Bowers with the General
22 Counsel's Office.

23 MR. BROOKMAN: Get close, Mike, so we can
24 hear you.

25 MR. BOWERS: I am familiar with the Data

1 Quality Act. We have guidelines. There is probably
2 the potential for application here, but beyond that,
3 I'm really not prepared to respond.

4 MR. CONOVER: I mean, I've looked at that
5 issue in a different context, and I thought that the
6 Data Quality Act went to reports being issued by the
7 government.

8 MR. BOWERS: It's information disseminated by
9 the government.

10 MR. CONOVER: Right. Information
11 disseminated by the government. So, I mean, we're
12 receiving reports from you all. There's a requirement
13 for certification. So we'll get back to you on that.

14 MR. BOWERS: Yes.

15 MR. CONOVER: Before I say something as a
16 lawyer that I shouldn't say.

17 MR. BOWERS: I have to say, I wasn't exactly
18 prepared for that.

19 MR. CONOVER: Yes.

20 MR. BROOKMAN: Okay. So maybe there is more
21 to come on that.

22 Please, sir, your name.

23 MR. PRILLAMAN: Hunter Prillaman, National
24 Lime Association. One question I have about the rating
25 system is, by establishing what ratings will allow you

1 to register reductions, aren't you prejudging what
2 Congress might do in establishing a mandatory system?
3 Because once you set this up with these rating systems,
4 it would be virtually impossible for Congress to go
5 back and say, "Well, we think that reductions measured
6 by some other method would be acceptable."

7 So really, you are establishing what are
8 going to be the requirements. Why wouldn't you allow
9 people to register reductions as long as the
10 registration indicates what method was used? Then you
11 would have the same information and then you don't
12 prejudge what later can be allowed in terms of
13 mandatory reductions.

14 MR. CONOVER: That's a very interesting
15 point. So you would say allow the registration of
16 reductions but sort of be transparent about what
17 methodology they use. Therefore, in a market
18 transaction, they might be worth less than a set of
19 reductions that were achieved with a better
20 methodology, something like that.

21 That's an interesting point. I understand
22 that. Again, the intent was to fulfill the president's
23 directive to us, which was in part to enhance accuracy,
24 reliability, and verifiability.

25 I think that -- I can tell you as one who did

1 participate in some of the senior principals' and
2 deputies' meetings on these various issues that there
3 are a lot of choices that were made between rigor on
4 the one hand and sort of ease of use and inclusivity on
5 the other. More often than not, the interagency group
6 went with rigor.

7 This is a case where our direction was -- the
8 people that actually did the work on this were asked to
9 come up with the best system they could come up with,
10 the most credible system they could come up with, and
11 that does mean putting sort of a seal of approval on
12 different methodologies.

13 So, yes. I would say yes, we understand
14 that. Good point.

15 MR. PRILLAMAN: Just to follow up, just to
16 put it another way, since you don't really know in the
17 long run what this information is going to be used for
18 and how it's going to be used, to set limits for what
19 information you are going to take in is maybe not the
20 right approach.

21 MR. CONOVER: I appreciate that. And again,
22 as the representative for WRI pointed out, you can
23 still report all sorts of reductions based on all sorts
24 of methodologies. So there will be a record of that if
25 you choose to use it. The question is, for the

1 purposes of this exercise what constitutes a registered
2 reduction. But we look forward to further discussion
3 of that point.

4 MS. DiPERNA: Yes, thank you. My name is
5 Paula DiPerna. I'm executive vice president of the
6 Chicago Climate Exchange, which has just been mentioned
7 twice. I would like to very much underscore the
8 relevance and the importance of the point just made.

9 MR. BROOKMAN: Thank you.

10 So written comments on that issue I'm sure
11 would be welcome as well.

12 Other -- yes, please. Your name?

13 MR. CARAMAGNO: Dan Caramagno from Schering-
14 Plough. I guess the one question I have is, has the
15 Department looked at the European Union directive in
16 relation to this voluntary guideline?

17 I'm still looking through it. My first
18 impression is your rating system is actually stricter
19 than what the European Union requires. I could be
20 wrong.

21 MR. CONOVER: I personally haven't looked at
22 the European Union directive, but I'd be interested to
23 find out whether your assessment is correct. That
24 would be an interesting headline.

25 (Laughter)

1 MR. CONOVER: Not that we will ever get a
2 headline like that.

3 MR. BROOKMAN: Robert.

4 MR. STRIETER: Yes. Bob Strieter, the
5 Aluminum Association. I'd like to have some insight on
6 how the rating system and registration of credits
7 relates to the Climate Vision Program, verification of
8 that program.

9 The reason I ask is, our members have both a
10 1990 baseline and the year 2000 benchmark. It's not
11 clear how we can demonstrate our agreement when we
12 don't -- we're not able to register our credits with
13 those baselines.

14 MR. CONOVER: Thank you. That precise point
15 was the subject of discussion by the deputies as we
16 moved forward in this process. I want to make two
17 points about it.

18 Number one, yes, you can report any
19 reductions achieved going back to the statutory
20 baseline established under the Act. So there will be a
21 record of those. You can't get a piece of paper from
22 EIA saying you've got a registered reduction, you are
23 correct, prior to 2002.

24 The decision that the group made was, given
25 the president's speech in 2002, this ought to be a

1 forward-looking exercise and we ought not to allow,
2 really, people to go back in time, apply the same
3 methodologies -- and frankly, there would be very few,
4 I think, relatively few entities that would have the
5 capacity to do that without a pretty significant burden
6 -- and then register those older reductions.

7 But as with everything else, comment on this
8 point is welcome. But, yes, we are aware of that
9 inconsistency.

10 MR. BROOKMAN: Yes, please. Your name?

11 MS. ARCHER: Mary Archer with FPL Group.
12 Following up on that, I have a suggestion with the
13 baseline period. Because there are many good actors
14 that have participated in the past and put their
15 inventories in 1605(b) for many years, that the
16 baseline period could be adjusted for those that could
17 provide the backup and follow the new methodology to
18 give us a larger baseline period, such as a max of six
19 to eight years.

20 MR. BROOKMAN: Change the start date? If
21 you've got the data that shows --

22 MR. CONOVER: That's a little different issue
23 than the one that was previously raised, but it's
24 related and we appreciate the comment.

25 MR. BROOKMAN: Did I see somebody over here

1 that I missed? I guess not.

2 Okay. Please. Your name.

3 MR. BHATIA: Pankaj from WRI. I wanted to
4 raise another issue because I believe this is a general
5 discussion session. And one of the observations that
6 we have with respect to the new 1605(b) Guidelines is
7 regarding how do you define the reporting entity.

8 In some ways, I think if we look back at the
9 old 1605(b) and consider various improvements that have
10 been made in the new revised guidelines, I think it's a
11 major improvement in terms of the requirements that if
12 a company wishes to register its reductions, then it is
13 also required to report its entity-wide emissions.

14 So again, WRI would like to compliment, I
15 think, on this to the 1605(b) team, but then we also,
16 at the same time, have some major concerns about this
17 new requirement.

18 I think one of the principles that 1605(b) is
19 trying to serve is to make sure that companies, in
20 reporting their reductions or registering their
21 reductions, are able to provide a complete and
22 transparent picture about the operations of the company
23 and what is happening with respect to other operations
24 where they don't have any reductions.

25 So I think -- I believe that you understand

1 this point. This is an issue of cherry-picking. It's
2 a very important issue. We do not want that a company
3 presents an incomplete picture of its reductions. So
4 if there are emissions that are increasing in some
5 operations or in some divisions but there are emissions
6 that are decreasing in some divisions and operations
7 and they choose to report only with respect to those
8 operations where their emissions are decreasing and
9 they choose to register only those reductions, then, in
10 our understanding, that would still defeat the purpose
11 of this new requirement on entity-wide reporting.

12 So the concern that we have is, how do you
13 define this reporting entity and why do you not require
14 that the parties under 1605(b) must report at the
15 highest level in the United States? That means at the
16 parent company level. They must report at the parent
17 company level. They must report all their operations.

18 There are very clear rules that you already
19 provide on consolidation of emissions to a higher level
20 of entity, and you could still use those rules. So I'm
21 still not able to understand why would you -- along
22 with this improvement, why would you not require that
23 companies report at the highest level, which is the
24 parent company, in the United States?

25 Thank you.

1 MR. CONOVER: Thank you. That is a fair
2 comment, and you honed in on one of the few areas where
3 in the balance between rigor and inclusivity we went
4 with inclusivity. Because, we felt like, particularly
5 with some of the companies represented here today, it
6 might keep them from participating if they had to
7 report at the holding company level. Therefore, if
8 they're not participating, maybe they're not as
9 motivated to actually make reductions in their
10 emissions.

11 So while I would direct your attention to
12 page 15173 of the Federal Register notice, which has
13 sort of an expanded treatment of the draft that's up on
14 the screen right now -- we didn't make the choice that
15 you're talking about, obviously.

16 But at the same time, we wanted to prevent
17 cherry-picking, and we think we are preventing cherry-
18 picking by requiring in the entity statement with
19 documentation of the legal basis for the entity, the
20 scope and appropriate names. So it's not going to be,
21 you know, Conover Athens, Ohio, reporting as though
22 they were Conover Global, Limited. Organizational
23 boundaries that are determined in a sort of logical,
24 common sense way, and then a certification requirement,
25 and then this entity-wide -- once you've chosen your

1 entity, entity-wide emissions inventory.

2 So we think we have a system that will not
3 allow that cherry-picking unless a company wants to go
4 to the trouble of creating legal entities solely for
5 the purpose of entering it into the 1605(b) program.
6 But we look forward to further comment from you on that
7 point.

8 MR. BROOKMAN: Sergio, and then back to Bob.

9 MR. GALEANO: Perhaps piggybacking on the
10 earlier comments about the wider entity, in the past
11 and probably in the future comment, we will be
12 supporting the wide entity reporting for registration.

13 We really have some misgivings about many faces of the
14 reporting because if you are going to be serious about
15 this and all it will cost to do that, you should go all
16 the way to the registration and not stop on the
17 reporting. But that's an opinion that is a decision
18 for each company.

19 The point is that wide entity in the way that
20 we have been interpreting that in a quick reading on
21 all these regulations and pages is that will avoid what
22 WR is questioning about. I have just to read it again
23 now to see if indeed it is avoidable. Because at the
24 end, we are going to get to a pool of registration from
25 the AEI.

1 And as you see there in your favorite slide,
2 the prior one, you get the small emitter and you get
3 the large emitter. You have completely different
4 requirements in registration, and they have nothing to
5 do with the rating itself, in which you are going to
6 get a pool in which you really have a mix of quality
7 and risk for any financial decision.

8 We do believe that rather than just to take
9 too much time in how innovation will improve or will
10 move forward by a ranking system that fails the two
11 elemental tests of demonstrating a difference and a
12 cost benefit, it would be simply better to add a new
13 tier to the EIA registration paper, that paper that
14 you're going to get from them.

15 I would like to have a paper that says, "This
16 paper recognizes that the information that you have
17 supplied has been third party-certified," because I
18 don't know of any financing activity going on that does
19 not require a third party certification. All the ones
20 that I know, including the Chicago Exchange, do not
21 require a ranking system for measuring or calculating,
22 but they do require a third party certification.

23 We voluntarily pay in our inventory for a
24 third party certification. Why that distinction is not
25 made in that document from the EIA if indeed I want to

1 pay for it because I want to get more credibility on
2 that piece of paper.

3 MR. CONOVER: So in fact, if you look at the
4 page that I previously referenced, you can note in your
5 report that this was independently verified by a third
6 party. There is no bar on that.

7 MR. GALEANO: My point is, to have that piece
8 of paper from the EIA making that distinction.

9 MR. CONOVER: Right. I understand, yes.

10 MR. GALEANO: Doing that for a third party-
11 certified submission or not.

12 MR. CONOVER: Rather than a quality rating
13 system. That's your point.

14 MR. GALEANO: That's right.

15 MR. CONOVER: You know, that is an
16 interesting comment. I will tell you that the issue of
17 requiring third party verification was also discussed
18 at the highest levels in the interagency process here.
19 We chose to not require but to encourage third party
20 validation.

21 And then, to your previous point on the small
22 emitters, I think that we need to remember that these
23 folks are emitting less than 10,000 tons a year. I
24 mean, these are truly small emitters. They do have
25 requirements in order to receive their registered

1 reduction.

2 But this issue, too, was discussed in pretty
3 much detail about the desire to get a lot of activity
4 from small emitters and the fear that if we applied the
5 guidelines that apply to large emitters to everyone
6 that we just wouldn't get that. We wouldn't get the
7 kind of activity, and therefore you wouldn't get the
8 kind of emissions reductions that you will if you
9 facilitate or encourage the small emitters through a
10 somewhat less onerous process.

11 But it is not a free -- I mean, they don't
12 get a free ride, that's for sure.

13 MR. BROOKMAN: Bob, are your comments similar
14 to Sergio's? Do they follow on?

15 MR. SCHENKER: Actually, I want to follow on
16 both comments, if I may.

17 MR. BROOKMAN: Can I go to Bob for a brief
18 comment, and then I'll return to you?

19 Go ahead. Follow on to Sergio.

20 MR. REAGEN: Bill Reagen with 3M. It's a
21 little off this subject but a general question on the
22 --

23 MR. BROOKMAN: Wait a second.

24 (Laughter)

25 MR. BROOKMAN: Go ahead. You're next, Bob.

1 I'm coming back to you.

2 MR. SCHENKER: Thank you.

3 On the issue of entity-wide reports, you
4 know, we believe -- our company is a general electric
5 company that -- you know, we are so big and so diverse
6 and we do business in so many different places that we
7 believe that a worldwide, entity-wide report makes
8 sense for us, and we are endeavoring to do that. We
9 are endeavoring to be as complete and as accurate as we
10 can worldwide.

11 However, please keep in mind that when you
12 start taking a look at that rating system, and I think
13 that a lot of the -- that the thinking and assumptions
14 that went into establishing individual ratings were
15 thinking very much of what happens in the U.S. The
16 world is different outside of the U.S.

17 Keep in mind that an entity like GE, who must
18 set a rating -- has to do our rating across every
19 single source regardless as to what country it is in,
20 under what regulatory scheme it does business in, that
21 is going to have a big impact on us. It is going to be
22 much harder for us to get a three rating than it is
23 perhaps for somebody else who is solely in the U.S.

24 On the issue of independent verification, GE
25 supports that the independent verification be

1 voluntary. We ourselves would much rather spend the
2 money that we would spend on an independent
3 verification -- we would much rather spend that money
4 internally on our own verification processes because we
5 believe that we could better enhance our accuracy
6 ourselves than relying on the independent verifier.

7 MR. BROOKMAN: Thank you, thank you.

8 Bill.

9 MR. REAGEN: Bill Reagen at 3M. Can somebody
10 comment generally on the relationship between the EPA
11 Climate Leaders inventories for entities and the
12 reduction commitments and those of 1605(b)?

13 Specifically, I've heard the reference to the
14 EIA piece of paper, and I was looking for clarity on,
15 is there a mutual relationship between those two
16 programs relative to that piece of paper.

17 MR. CONOVER: Well, I'll answer from a
18 political appointee perspective and then seek some
19 wisdom from those here with EPA perhaps. But, yes,
20 there is a short answer. The design, the intent -- and
21 we recognize the differences between Climate Leaders,
22 Climate Vision, and 1605(b), but the intent is to
23 facilitate reporting into 1605(b) from each of those
24 programs.

25 How close we get to fulfilling that intent

1 we're interested in your comments on and we will
2 continue to be working with EPA on the draft technical
3 guidelines as we move forward to make sure that we are
4 not precluding things that we don't want to preclude.

5 We can spend a few minutes on this point.

6 MR. BROOKMAN: Yes, let's do it. Yes.

7 MR. CONOVER: All right.

8 MR. BROOKMAN: I will come over to you. Let
9 me note that in about 10 minutes we will be taking a
10 break, for those of you that are interested.

11 A quick question while he is cuing up these
12 slides. Go ahead.

13 MR. SHIDELER: My name is John Shideler. I'm
14 representing NSF-ISR, a certification body. I'd like
15 to just make a comment since the question of third
16 party verification has come up.

17 When we get to the detailed discussion at
18 11:30, I have some more in-depth comments, but one of
19 the points that hasn't been raised yet has to do with
20 the burden on those entities that choose the option of
21 third party verification.

22 In my close reading of the proposed
23 guidelines, I'm a little bit concerned about how the
24 language actually addresses the verification process
25 because it seems that the verifier has a far greater

1 burden than would normally fall upon the verifier in
2 say financial accounting type verifications to make
3 attestations that should really be the responsibility
4 of the party that is reporting.

5 So while I think there has been an
6 improvement since last year, when we get to the
7 verification guidelines I think there is still a long
8 way to go in unraveling who does what and how.

9 MR. BROOKMAN: Those specific comments in the
10 breakouts will be helpful, as supplemented by your
11 detailed comments.

12 Mark Friedrichs.

13 MR. FRIEDRICHS: Actually, later this morning
14 we hope to get into the independent verification parts
15 of the guidelines just a little bit. Your comments are
16 very welcome.

17 One of the things we tried to do in the
18 guidelines was to break a little new ground in defining
19 what independent verification should be. If someone
20 claimed to have third party verification, we wanted to
21 have some assurance that that third party verification
22 met certain standards.

23 But it's new ground, so we very much want to
24 focus stakeholders on those provisions and to get
25 specific comments.

1 MR. BROOKMAN: So, Mark, do you want to cue
2 up this slide here? Mark Friedrichs.

3 MR. FRIEDRICHS: Sure. Tom Kerr and I can
4 just help and briefly summarize.

5 We looked at the broad features of the
6 1605(b) guidelines and Climate Leaders, just to give
7 you an idea of how they relate on several different
8 points. I think one part that becomes pretty evident
9 is that we have a lot of commonality, but there are
10 some significant areas of difference as well.

11 In terms of scope, both focus on all U.S.
12 operations but allow reporting of non-U.S. activities.

13 Both require entities to define themselves and their
14 boundaries. Both require annual emission inventories
15 covering all six U.N. FCC gases, sequestration, and
16 indirect emissions from electricity use.

17 In terms of inventory methods, DOE has
18 proposed this quality rating system and a broader range
19 of inventory methods whereas Climate Leaders has
20 identified a narrower range of selected methods.
21 Entity-wide assessment of changes; yes, there is an
22 emphasis in both programs on entity-wide assessments.

23 1605(b) does not have targets. Climate
24 Leaders focuses on negotiated targets for emissions,
25 emission reductions. And 1605(b) has a process for

1 registering emission reductions whereas Climate Leaders
2 does not.

3 Under both -- well, I'm sorry. Under
4 1605(b), reductions are measured by emissions intensity
5 or absolute emissions with certain qualifications. The
6 focus under Climate Leaders is on a negotiated target.

7 Avoided emissions are recognized broadly
8 under 1605(b) and as specific projects under Climate
9 Leaders. Sequestration broadly under 1605(b); again as
10 offset projects under Climate Leaders.

11 Offset reductions are permitted on a sort of
12 entity basis under 1605(b), on a project basis under
13 Climate Leaders. Project reductions are allowed but
14 for registration they are a kind of method of last
15 resort under 1605(b), and under Climate Leaders they
16 are used primarily in the offset area.

17 There is an explicit certification statement
18 under 1605(b), not under Climate Leaders. In both
19 cases, we encourage independent third party
20 verification.

21 An important difference in terms of the
22 disposition of reports is that 1605(b) focuses on
23 public availability of the reports except when business
24 confidential data is involved. Climate Leaders does
25 permit confidentiality upon request. So that is less

1 of an emphasis on public release.

2 So that is a broad review of the comparison
3 of the two programs. We have talked just a little bit
4 about some of our objectives. We are encouraging, of
5 course, participation in both. We do hope to design a
6 system that enables companies that want to participate
7 in both to file a single inventory report and possibly
8 other combined data reports. We are working to ensure
9 that there are no direct conflicts between the program
10 measurement protocols or other requirements.

11 Obviously, this is one of the areas where we
12 want to focus comment. We want to try to make sure
13 that there aren't conflicts that are going to make some
14 combined reporting impossible or difficult.

15 MR. BROOKMAN: Thank you.

16 I'm hoping we can go to break fairly shortly.

17 Lee Ann, you're next in the queue, followed
18 by Bill.

19 MS. KOZAK: Lee Ann Kozak, Southern Company.

20 In the way the requirements have been set up for
21 reduction registration and the idea that the system is
22 designed to measure contributions to the president's
23 goal, there seems to be something of a disconnect
24 there.

25 The only way a company can measure

1 contributions to the president's goal, which basically
2 puts them into a baseline for the year 2002 or some
3 average going back a few years, and to be able to
4 register those reductions is in the happy circumstance
5 where all the data that's required for registration
6 happens to exist in the archives of the company.

7 If there is some information that a company
8 needs to be able to meet the requirements for
9 registration that they don't happen to have, they have
10 to start collecting that. If they have to start
11 collecting it, you can't do your baseline until some
12 years going forward, which means that you then can't
13 measure your requirements against the 2002 essentially
14 baseline for the president's goal.

15 So there's a real disconnect there, and if
16 that data doesn't exist, it really puts companies in a
17 bind for which way they go and what do they do when,
18 you know, ideally they would like to do both.

19 MR. BROOKMAN: Dave Conover.

20 MR. CONOVER: Yes. I mean, the operable
21 phrase you used was "and register reductions." They
22 can report based on the guidelines and those reports
23 can be looked at as we assess progress toward the goal,
24 but yes, you are right. If they want to register the
25 reductions, they have to jump through the hoops that

1 are set forth.

2 Your comment really is sort of a flip side of
3 the comment that we ought to be able to register
4 reductions for prior years, you know, earlier than
5 2002.

6 So, yes, it is a challenge whichever
7 perspective you look at it.

8 MR. BROOKMAN: Bill Fang.

9 MR. FANG: Going back to what Mark Friedrichs
10 was talking about just a couple minutes ago, I don't
11 think his slides had this point. He asked about
12 conflicts or inconsistencies. There is a large one in
13 the area of base year or base period between Climate
14 Leaders and 1605(b) reporting.

15 Climate Leaders is much more flexible in this
16 regard because, as I understand it, participants can
17 pick. They have flexibility in choosing the base year
18 and then choosing a voluntary target that is in some
19 years in the future beyond that base year.

20 However, under the Final Interim Guidelines,
21 the start year has to be 2002 or later. So several
22 companies have noted that this is a huge inconsistency
23 and some reductions that they can report and will be
24 credited to their target under Climate Leaders will not
25 be recognized under the 1605(b) guidelines.

1 MR. CONOVER: Yes, and we strongly encourage
2 comment on that point.

3 MR. BROOKMAN: Thank you.

4 A final comment before we go to break.
5 Thomas.

6 MR. WARD: Tom Ward from Novelis. It's
7 understood that we want to encourage the highest degree
8 of reporting accuracy going to level three and/or four
9 if necessary. But rather than setting a minimum
10 threshold, which is prohibitive against one of your
11 principles of encouraging as much reporting as
12 possible, wouldn't it be more attractive to all of your
13 stakeholders to have them report what quality they do
14 have.

15 Many of your stakeholders are reporting
16 internally several data sets, some data quality two,
17 some data quality three, and data quality four
18 internally, and reporting for their whole corporation
19 and sustainability reports and annual reports their
20 full data sets, taking into account the statistical
21 significance of that data.

22 They would not want to have to extract out
23 information for the purpose of submitting a 1605(b)
24 report and having in the public eye two different sets
25 of data.

1 MR. CONOVER: Right.

2 MR. WARD: If we can simply report the
3 correct statistical data quality, you're going to get
4 more reporting, the companies are going to have the
5 right data in both of their reporting media, and you
6 are going to get a lot more reporting, and they're
7 going to be encouraged through that process to improve
8 the data quality nevertheless. I think you're being
9 prohibitive by setting a minimum threshold.

10 MR. CONOVER: Appreciate that. That is, as
11 you point out, a new feature the 3.0 average required
12 to play.

13 Yet, on the other hand, I think I disagree
14 that all of our stakeholders would be supportive of the
15 position you just outlined because I'm pretty sure that
16 a number of our stakeholders, perhaps who don't
17 themselves report but nonetheless are considered our
18 stakeholders, would very strongly oppose sort of
19 allowing reports based on whatever data and in whatever
20 fashion an individual entity generates because they're
21 not all going to be viewed.

22 There are going to be companies or entities
23 that perhaps don't have sophisticated or serious or
24 credible inventory and reporting systems. If you set
25 the bar too low, you are going to go back to the same

1 criticism that was leveled at the 1994 guidance, which
2 was it's not credible. It doesn't mean anything.

3 But I take your point. We're not -- was that
4 the last question?

5 MR. BROOKMAN: I would suggest we return to
6 this when we come back from break. I think now is the
7 time to go to break.

8 MR. CONOVER: I would just say, we are under
9 no illusions that we got it perfect in this system. In
10 fact, that was a conscious decision. Otherwise, we
11 would have been doing this until Janet Bush was
12 president.

13 (Laughter)

14 MR. CONOVER: We don't have -- and we take
15 seriously this comment period. So if you've got a
16 better way that meets in a balanced sense the various
17 principles, that I thought that Mark Rey really knocked
18 out of the park in terms of his talking points, of what
19 we were trying to accomplish here, if you've got a
20 better system or proposal that doesn't tilt us too far
21 in the direction of any one of those principles and
22 away from some of the others, we are open for
23 discussion on that.

24 I can't stress to you enough how much time
25 the DOE staff -- and we've got former DOE staff here as

1 well -- spent literally poring over comments trying to
2 get this as right as we could. So we encourage further
3 comments.

4 MR. BROOKMAN: I would note that several
5 people, I think, want to comment on this further. When
6 we return from the break, we'll talk more about the
7 alignment between 1605(b) and Climate Leaders.

8 But I'm going to suggest we take a break now.
9 It is just about 10:30. We'll resume at 10:45.

10 We should thank Dave Conover for his extended
11 comments.

12 (Applause)

13 MR. BROOKMAN: We'll resume at 10:45. Thank
14 you.

15 (Brief recess)

16 MR. BROOKMAN: I wanted to reiterate that the
17 PowerPoint slides that are being presented today --
18 hey, Paul McArdle, can you get Mark Friedrichs in here?
19 -- that the PowerPoint slides that are being used today
20 will be posted on the Web we think by the end of the
21 week -- I think that's the target date -- as will
22 subsequent comments in the span of two weeks or so.

23 There was another comment. Oh, and I would
24 ask once again, as you're making your comments for the
25 record, please state your name slowly and carefully so

1 we make certain we know who is speaking. All this will
2 be transcribed and audiotaped as well.

3 So where we left off, as you may recall, was
4 a discussion between Climate Leaders and 1605(b), the
5 areas of commonality and the areas where they don't
6 agree so much. I wanted to make certain we've provided
7 an opportunity for anybody that had additional comments
8 on that before we move on to the next subject.

9 Dave, I saw your hand up before. Does it
10 relate to this one or something else?

11 PARTICIPANT: (Off mike)

12 MR. BROOKMAN: Something else, okay.

13 So, any other additional comments on Climate
14 Leaders? I thought that discussion had a lot of
15 traction. Any additional comments on that?

16 (No response)

17 MR. BROOKMAN: Okay. Seeing none, then,
18 Mark, do you want to move to the next element in the
19 agenda?

20 Mark Friedrichs is going to be cuing up the
21 provisions you see in the middle of the page on your
22 agenda, Provisions for "Entity Statements" and Starting
23 to Report. You can see six different sub-elements that
24 he is going to be covering.

25 (Pause)

1 MR. BROOKMAN: Some of the issues that Mark
2 Friedrichs is going to be raising with his presentation
3 -- he and I were talking just as we returned from the
4 break -- some of these issues we will have covered at
5 kind of the broader level in the morning. This is an
6 occasion to dive a little deeper, get a little more
7 depth and a little more explanatory comment. So we
8 welcome that as we're moving along here.

9 MR. FRIEDRICHS: We're missing part of the
10 presentation. I'm sorry.

11 MR. BROOKMAN: Who should I get? Mike?

12 MR. FRIEDRICHS: Mike or Mindy.

13 MR. BROOKMAN: Is it the front half or the
14 back half?

15 (Pause)

16 Provisions for "Entity Statements" and Starting to
17 Report

18 Mark Friedrichs

19 (PowerPoint presentation)

20 MR. FRIEDRICHS: Sorry. Technical glitch in
21 PowerPoint. It was skipping the actual contents of the
22 slides. Anyway, sorry for that delay. We're getting
23 started with our second session, "Entity Statements"
24 and Starting to Report.

25 We've already covered some of these issues,

1 so we're going to be going over some of the ground
2 that's been addressed by comments. I'm going to try to
3 highlight some of the areas that we haven't yet talked
4 about.

5 I'm going to go through my slides one by one
6 and pause after each of them to give people an
7 opportunity to comment on the range of issues
8 identified in each slide.

9 First, I wanted to focus on the guideline
10 requirements regarding the definition and naming of
11 entities and the setting of organizational boundaries.

12 Of course, as we've talked about, we encourage all
13 reporters -- large emitters to report at the highest
14 level of aggregation for their U.S. operations,
15 although we do provide some flexibility in that regard.

16 Reporting entities must have a legal basis
17 and be named appropriately as we've described, and they
18 must define their organizational boundaries. We
19 recommend that they use financial control as the basis
20 for determining boundaries, although we do provide an
21 opportunity for entities to use other approaches if
22 they are fully explained.

23 At least one issue wasn't fully discussed in
24 the morning, and that was the requirement that the
25 entities define themselves in a way that is consistent

1 with their management structure. For example, if an
2 entity had three subsidiaries reporting to a parent
3 company, we don't want to have a situation where two of
4 those subsidiaries are reporting and not all three.

5 If one subsidiary decided to report --
6 participate directly, it could do so, but we don't want
7 the reporting entity to be inconsistent with its own
8 management structure.

9 This same approach for defining entities
10 should also be used if the entity chooses to report on
11 its non-U.S. operations as part of its entity-wide
12 report to DOE.

13 Why don't I pause here and see if we have any
14 other questions or comments in this range of issues
15 that you would like to make now.

16 MR. BROOKMAN: Eric.

17 MR. HOLDSWORTH: Eric Holdsworth, Edison
18 Electric Institute. Let me just ask a basic question.

19 I'm still having a hard time understanding if an
20 entity wants to report under the new guidelines what
21 the differences are between that process and the
22 current process. In other words, if you want to
23 report, is it the same; are there differences; and what
24 are those differences?

25 MR. FRIEDRICHS: The guidelines set out a

1 variety of methods for measuring or estimating
2 emissions. Those methods need to be used whether or
3 not the entity is reporting only or registering
4 reductions.

5 If an entity is reporting, it doesn't need to
6 do an entity-wide inventory. It doesn't need to meet
7 the 3.0 minimum quality rating. But it still needs to
8 use the methods identified in the inventory technical
9 guidelines.

10 Similarly, if an entity wants to report
11 emission reductions, it can use any of the methods
12 identified in the technical guidelines. It doesn't
13 need to do an entity-wide assessment of emission
14 changes from one year to the next. But it does need to
15 use one of the identified methods, whether that's an
16 entity or absolute, changes in carbon stock, avoided
17 emissions, or action-specific methods.

18 I hope that's helpful.

19 MR. BROOKMAN: Your name for the record?

20 MS. DiPERNA: Paula DiPerna, Chicago Climate
21 Exchange. To that point -- and mine is a very simple
22 vocabulary issue that I raised earlier with Mr. Conover
23 -- can you clarify, are you saying -- is it possible to
24 register emissions -- I understand the distinction
25 between reporting and registering. Is it possible

1 under these guidelines at the moment to register
2 emissions that are achieved that we would call net
3 reductions? In other words, that are not intensity
4 reductions.

5 Can you register real reductions, or whatever
6 the terminology is you are using, for those that are
7 not derived only from intensity measurements?

8 Thank you.

9 MR. FRIEDRICHS: Yes, that's our absolute
10 emission reductions. We do allow absolute emission
11 reductions to be reported but with one very important
12 qualifier, and that is that the entity has to
13 demonstrate that its output has not declined. That
14 does mean that the absolute emission reduction is a
15 form of an emissions intensity reduction. Perhaps that
16 gets to your point.

17 MR. BROOKMAN: Paula, follow on.

18 MS. DiPERNA: Yes, it does a bit, but my
19 question was can you register. I understand you can
20 report. I'm asking if you can register absolute
21 emissions reductions.

22 MR. FRIEDRICHS: As long as they're
23 consistent with that qualifier, yes, you can. And of
24 course, as long as the entity meets all the other
25 requirements for registration. But, yes, under those

1 circumstances, those would qualify.

2 MR. BROOKMAN: Miriam.

3 MS. LEV-ON: Yes. Miriam Lev-On representing
4 the API. The question is on the definition of
5 financial control or reporting under financial control.
6 Most guidance documents for accounting for greenhouse
7 gas emissions use terminology such as operational
8 control or equity share. The API Petroleum Industry
9 Guidelines also use this document as well as WRI and
10 WBTSD (ph).

11 It's not clear exactly how financial control
12 enters into the picture or what's the difference
13 between financial control and operational control, if
14 there is any, or what DOE actually intended by defining
15 financial control in a different way than what is used
16 currently in most of the other global guidance
17 documents.

18 MR. BROOKMAN: Mark Friedrichs.

19 MR. FRIEDRICHS: We are trying to get to a
20 point where we identify the emissions that are under
21 the management control in a financial sense of the
22 entity. So there are certain circumstances where the
23 entity may have only a majority share, may even have a
24 minority share, but has overall financial control of an
25 entity.

1 We would appreciate more specific comment on
2 what terminology here is most appropriate. We're
3 trying to get to a situation where we have as little
4 overlap between reporting entities as possible. We
5 were concerned about the possibility that entities
6 would use alternative ways of defining their boundaries
7 which would result in overlaps between entities that
8 could result in some double counting. We wanted to try
9 to minimize those situations.

10 MR. BROOKMAN: Yes, please.

11 MR. BHATIA: This is Pankaj from WRI. I want
12 to also try to respond on this point because the WRI-
13 WBTSO protocol includes all the three options. That
14 is, financial control, operational control, and equity
15 approach.

16 Also, we recognize that in most cases
17 financial control and operational control generally
18 result in the same emissions data. It is only, I
19 think, in the oil and gas sector where there is a
20 special application of the concept of control. That
21 could result in different emissions depending on
22 whether you use financial control or operational
23 control.

24 I think the way the new 1605(b) guidelines
25 define financial control is consistent with

1 international financial accounting standards. The
2 concept is, I think, quite clear. There is only one
3 difference between financial control and operational
4 control. Financial control means control over
5 financial and operating policies of an operation, and
6 operational control is control over only operating
7 policies, not financial policies.

8 So although in most cases if you have control
9 over operating policies, then you're likely to also
10 have control over financial policies. So that's why in
11 most cases it will be the same. So I hope this helps.

12 MR. BROOKMAN: Thank you.

13 MR. FRIEDRICHS: That's very helpful.

14 I should note that the guidelines do
15 recommend the use of financial control but do permit
16 alternative methods as long as they're explained.

17 MR. BROOKMAN: Yes, please. Your name?

18 MS. ARCHER: Mary Archer with FPL Group.
19 Concerning the equity share, we have partners that like
20 to claim their share of many of our new resources
21 because we have low and non-emitting sources. So we
22 have based most of our current reporting on climate
23 programs on equity shares. That allows our other
24 owners to also claim --

25 MR. FRIEDRICHS: Thank you.

1 MR. BROOKMAN: Thank you.

2 Other comments on the content on this slide,
3 defining and naming the entity and state organizational
4 boundaries?

5 Yes, Michael.

6 You all are doing great with passing these
7 mikes around. So far we're making good --

8 PARTICIPANT: I had a comment or -- a
9 question or clarification as it relates to absolute,
10 you know, emissions. You just stated that the one
11 caveat is it cannot result in the reduction of output,
12 I guess, of your entity, meaning mega-watt-hours or
13 some parameter like that.

14 I guess as it relates to plant closings, it
15 sounds like you would not -- does that mean you would
16 not be able to get credit for a plant closing? It kind
17 of sounds like it.

18 When I go back to the original 1605(b)
19 guidelines, it is specifically indicated that plant
20 closings were included. You could -- now, I understand
21 that was maybe on the reporting, but plant closings
22 were included in the original 1605(b), and it sounds
23 like now you cannot get credit for plant closings. So,
24 maybe just a comment or clarification.

25 MR. FRIEDRICHS: Often a plant closing is

1 associated with a decision to close down an older, less
2 efficient plant and to shift production to new, more
3 efficient facilities. In that case, the plant closing
4 would result in a decline in emissions intensity.
5 Those reductions can be.

6 But a reduction which is attributable in
7 whole or in part to a decline in the output of that
8 entity, the output might have gone -- been shifted to
9 another entity or might have been shifted outside the
10 United States. We didn't think it was appropriate to
11 recognize those types of reductions as registrable.

12 MR. BROOKMAN: In the back first, then to
13 this gentleman, and then to Bob.

14 MR. PRILLAMAN: Hunter Prillaman, National
15 Lime Association. It seems to me that this is another
16 example in which perhaps the guidelines are pre-
17 assuming what Congress might do in establishing a
18 mandatory system or a system of credit. It would not
19 surprise me to see that Congress would take a different
20 approach on plant closings, and if you set up a system
21 in which they cannot be included in registration, then
22 it would be difficult for people to go back.

23 So I think those are general standards that
24 you ought to look at. Are you prejudging -- are you
25 pre-figuring what Congress might do? Where there is a

1 viable choice, you ought to have that option built in.

2 It seems to me this is another example of that.

3 MR. BROOKMAN: Thank you.

4 Daniel.

5 MR. KLEIN: Dan Klein with Twenty-First
6 Strategies. I have a question that goes back to this
7 reporting of absolute emissions versus entity. You
8 mentioned the caveat that you have to also demonstrate
9 that output has not fallen. With that caveat then, is
10 it always the case that the amount of emissions you
11 would report under an absolute basis would be no more
12 than what an entity-based measure was?

13 Or conversely, if output has remained the
14 same or gone up, your intensity-based reporting would
15 always report at least as much as an absolute would.

16 MR. FRIEDRICHS: That's right.

17 MR. BROOKMAN: Yes. Bob, thanks for being
18 patient.

19 MR. SCHENKER: Yes. When we started this
20 morning, I read a passage that --

21 MR. BROOKMAN: Bob Schenker.

22 MR. SCHENKER: Bob Schenker, General
23 Electric. I read a passage that was quoted from the
24 rule where it specifically referred back to the Energy
25 Policy Act where Congress specifically intended for DOE

1 to keep track of information on reductions that
2 resulted from plant closings.

3 Reductions from plant closings are real
4 reductions. The plant is included in our baseline. If
5 we close that plant, you know, its emissions cease.
6 That is a real reduction.

7 I have to admit that I can't have my cake and
8 eat it, too. You know, if I take those operations, I
9 move them somewhere else, I open a new plant, I've got
10 to add those back in. Those are increases. I have to
11 admit I've got to keep both sides the same.

12 But a plant closing is a real reduction.
13 Congress very clearly stated that DOE was to address
14 plant closings in these regulations.

15 The same thing with reduction in output. We
16 believe that each and every year we should do an
17 inventory that is a true picture of a company's
18 emissions each and every year. Output is going to
19 increase; output is going to decrease. A piece of the
20 company is going to go up; a piece of the company is
21 going to go down.

22 I do want to ask a question to clarify. When
23 you say decreasing production, is that the entire
24 entity or is that for individual plants?

25 But our position here is that the inventory

1 each year should be a snapshot of that year, and any
2 changes in that inventory from the baseline year is
3 either a real increase or it's a real decrease, and it
4 should be registered as such. We believe that that was
5 Congress' intent.

6 MR. FRIEDRICHS: Just on the technical issue
7 of whether or not the absolute emission reduction and
8 the output related to that is just for a facility or
9 entity-wide, the guidelines of course provide the
10 flexibility for entities to account for different parts
11 of their entity differently using what we call
12 subentities.

13 So each separate emission reduction
14 calculation is associated with a certain amount of
15 output. It is that output that is the subject of this
16 qualifier.

17 So if you want to assess one part of your
18 entity using an emissions intensity metric and another
19 part using an absolute emission, you would have to
20 ensure that the part covered by your absolute emission
21 reduction calculation did not experience a decline in
22 output.

23 MR. BROOKMAN: Bob, follow on, and then I'm
24 coming --

25 MR. SCHENKER: If we then were to do an

1 absolute approach for the entire company worldwide,
2 then we would have to look to whether our output
3 declined worldwide; is that correct?

4 MR. FRIEDRICHS: I'm sorry?

5 MR. SCHENKER: If our absolute approach was
6 worldwide, would then we account for -- our reduction
7 would have to be worldwide before that qualifier would
8 take effect?

9 MR. FRIEDRICHS: I think. The only -- my
10 hesitation is that we do actually require non-U.S.
11 operations to be reported distinctly from U.S.
12 operations. And so I'm not sure of the answer to that,
13 actually.

14 MR. SCHENKER: Ultimately, one of my big
15 concerns here, my inventory -- the direct inventory
16 that I keep track of is 550 sites. I have 6000 sites
17 worldwide that I estimate the balance. If I have to
18 start doing special accounting because the production
19 at this one part of the business declined a little bit,
20 I've got to keep special accounting for that, I'm
21 getting into a monstrous accounting thing.

22 If a plant closing -- I've got to maintain
23 the emissions and my inventory because that plant
24 closed, and I've got to keep it in there, it gets to be
25 very difficult and complicated, and it's not very

1 realistic.

2 MR. FRIEDRICHS: I'm sorry. I should have
3 made one thing clear. For example, you have a large
4 entity with many different facilities. If the output
5 associated with that large entity is increasing, but
6 you have a number of plant closings and elements of
7 that large entity which are declining in output, that
8 can be ignored as long as you are calculating your
9 absolute emissions changes across that broad entity and
10 that broad entity's output is stable or increasing.

11 MR. BROOKMAN: Bob Schenker again.

12 MR. SCHENKER: So as long as I take the
13 entire inventory, I can then count plant closings.

14 MR. FRIEDRICHS: Yes, as long as the output
15 of the entire entity being assessed has output that is
16 stable or increasing.

17 MR. SCHENKER: And how do we define output,
18 which I know is a long question. Let's talk about that
19 later.

20 MR. BROOKMAN: Let's hold on that. That
21 entire exchange was between Mark Friedrichs and Bob
22 Schenker.

23 Dave Conover, to you.

24 MR. CONOVER: I just wanted to be clear about
25 a couple things. One is, yes, we do encourage

1 intensity metrics because it is the policy of this
2 administration that measuring greenhouse gas intensity
3 reductions is a better way to go for a whole host of
4 reasons.

5 Two, we need to be clear about what was and
6 was not congressional intent. Congress had no intent
7 with respect to registering reductions under the
8 1605(b) law that they passed. They didn't contemplate
9 that.

10 So what we have done or attempted to do is
11 keep congressional intent -- as a former staffer, I'm
12 sensitive to this -- keep congressional intent alive
13 through the ability of companies to continue to report
14 emissions and then fulfill the president's directive
15 with respect to those companies who wish to register
16 "real reductions," which I recognize at some level are
17 in the eye of the beholder.

18 MR. BROOKMAN: Kristin.

19 MS. ZIMMERMAN: Kristin Zimmerman, General
20 Motors. I concur with many of the comments made by
21 General Electric. This is a really sticky issue. You
22 know, how to actually track the inventory year to year
23 is something that I think there is still a bit of a
24 learning curve on. So we need to be aware of the fact
25 this (off mike.) We need to be able to capture the

1 system for what is occurring more so than the
2 individual (off mike.)

3 MR. BROOKMAN: Thank you.

4 MR. FRIEDRICHS: Thank you.

5 MR. BROOKMAN: Lee Ann.

6 MS. KOZAK: Lee Ann Kozak, Southern Company.

7 I wanted to address the point related to the second
8 bullet on the list about reporting entities having a
9 legal basis.

10 In the electricity industry, far and away the
11 major source of our emissions for the industry are the
12 emissions from the generation itself. However, within
13 the industry, companies are organized legally in very
14 different ways. On one hand, you've got companies that
15 are organized where they have generation grouped
16 together in a subsidiary, transmission the same way,
17 distribution, customer-related services the same thing.

18 Others are organized in a more vertical sense where
19 you may have an entity geographically that includes
20 generation, transmission, distribution, a second one,
21 and so on.

22 By making the requirement that it's a legal
23 basis, that second group of companies, there is no way
24 they can break out their generation and report that
25 even though that's the vast majority of their own

1 emissions. The companies that are organized where the
2 generation is altogether in a subsidiary are able to do
3 that.

4 So by putting that requirement in there
5 again, it creates very different opportunities and
6 requirements for the different entities within the
7 industry and it does create a very unlevel playing
8 field when you start getting into the requirements for
9 registration and a lot of the other areas in
10 reductions.

11 MR. FRIEDRICHS: It wasn't our intent to
12 create an unlevel playing field. We felt that there
13 were actually a variety of different legal bases that
14 might be used by different elements of a company if you
15 ran into this kind of situation.

16 But to the extent that you think that this
17 provision is going to be a real constraint on doing
18 something that seems most meaningful and logical for
19 your company or for others in the utility industry, we
20 would appreciate, you know, some specific comment on
21 what kind of provision would make more sense.

22 MR. BROOKMAN: Mary.

23 MS. QUILLIAN: Mary Quillian with the Nuclear
24 Energy Institute. This is just a general comment on
25 this idea of making sure people that are trying to

1 register reductions are not showing a reduction in
2 output. I appreciate this is a very tricky and
3 sensitive issue since the intent of the president is to
4 try to encourage gas reductions without causing
5 economic impact.

6 But I see a potential perfect storm brewing
7 here when you have a requirement that in order to
8 register reductions companies have to show an intensity
9 reduction and/or a total greenhouse gas emission
10 reduction and they have to show that their output has
11 not decreased. What happens if we have a recession?

12 You are also requiring that companies
13 continue to register year after year after year in
14 order to be able to get continuous recognition for
15 their positions on reducing greenhouse gas emissions.

16 So, you know, I just want to point that out,
17 that if the entire economy takes a dip, everybody is
18 going to show a reduction in output. Whereas we hope
19 that doesn't happen, macro economics show eventually it
20 will.

21 MR. FRIEDRICHS: Of course, if you use an
22 emissions intensity metric, the qualifier regarding
23 output is not effective. It is not -- you don't have
24 to demonstrate that the output has not declined.
25 Emissions intensity automatically takes into account

1 any declines in output. It is only when you use
2 absolute emissions as the basis for calculating
3 reductions that you need to use that qualifier.

4 But the impact of a general slow-down in the
5 economy could be significant for a broad range of
6 companies if they were measuring their reductions using
7 the absolute emissions method.

8 We do permit entities to continue to report
9 even though they are experiencing no net reductions
10 year to year as a result of a decline in output, and as
11 output increased in the future, they would again be
12 able to register reductions. But this all pertains to
13 those companies who choose the absolute emissions
14 method as the primary method for calculating
15 reductions.

16 MR. BROOKMAN: Yes, please. Your name?

17 MS. DiPERNA: Just a point of clarification.

18 Paula DiPerna, Chicago Climate Exchange. Are you
19 saying in that answer that you believe intensity
20 measures will automatically take into consideration
21 declines in outputs that are resulting from recession,
22 that there won't be any further need to deal with
23 recessionary -- effects of a recession if you use
24 intensity methods?

25 MR. BROOKMAN: That was Paula.

1 Mark Friedrichs.

2 MR. FRIEDRICHS: Well, at least in theory
3 intensity metrics do, but of course, declining output
4 has a variety of effects on emissions intensity as
5 well. Depending on the capacity utilization of
6 different facilities, it can affect the emissions
7 intensity of those facilities.

8 So I take your point that it doesn't remove
9 any problem.

10 MR. BROOKMAN: Yes. Bob Schenker.

11 MR. SCHENKER: Bob Schenker, General
12 Electric. I don't think we should get too caught up
13 between absolute and intensity. I realize the various
14 strong reasons why one is better than the other, but
15 basically any intensity goal can be converted to an
16 absolute goal by a simple calculation. Any absolute
17 goal can be converted to intensity by a simple
18 calculation.

19 So, should there be any difference in how the
20 accounting is done between them? I don't think so. I
21 think everything is all one and the same. It's just
22 whether you choose to divide by the denominator or not.

23 MR. BROOKMAN: Additional comments on this
24 slide?

25 Yes, Bill.

1 MR. NICHOLSON: Bill Nicholson, AF and PA.
2 There comes a question of what your denominator is.

3 (Laughter)

4 MR. NICHOLSON: Suppose that you are in a
5 company that makes, oh, three or four extraordinarily
6 different kinds of things in different facilities. The
7 only common denominator you often have is money. That
8 has all kinds of problems fraught for dividing as --
9 using it as a denominator. How would you like to
10 address these radically different measures of output?

11 I mean, the example versus even from the
12 standard AF and PA perspective. The company there will
13 probably make wood products and paper and sell logs
14 and, you know, there is a problem inherently in here.

15 MR. BROOKMAN: Okay. Thank you.

16 Yes, please.

17 MR. HAVEN: Jim Haven, Global Warming
18 Initiatives. I have a company that has 15 different
19 large facilities in the United States, and they have
20 this varied product. Part of the product is made at
21 one facility. Then it is moved to another facility for
22 further operations on it before it is finished. That
23 company uses for its production factor gross production
24 dollars for the facility, and each facility has a gross
25 annual production dollars.

1 We adjust that by the GDP adjustment factor
2 for each year, referenced back to our base year to kind
3 of normalize it out. Then we can add for that
4 corporation, for the entity, these 20 -- 15 sites. We
5 can add the common production which is the gross
6 production dollars and get a corporate-wide very
7 easily.

8 MR. FRIEDRICHS: I appreciate all these
9 comments. I don't want to discourage them.

10 We have kind of a different set of issues
11 that we're trying to cover between now and lunch, and
12 we're going to be spending a lot of time on the
13 reduction issues -- many of these were covered over the
14 last few questions -- tomorrow morning.

15 MR. BROOKMAN: Why don't you press on to the
16 next slide.

17 MR. FRIEDRICHS: Okay.

18 MR. BROOKMAN: Final comment, and then we'll
19 move on. Please say your name again.

20 MR. BHATIA: Okay. Pankaj from WRI. I
21 understand and I am holding comments that the WRI has
22 on reductions. I think it would be better to do that
23 tomorrow.

24 But one of the observations that I concerning
25 the inventory side of the guidelines is the absence of

1 any mention about accounting principles. I recognize
2 that you do mention principles in certain parts of the
3 general guidelines, and I think it's on page 85 where I
4 first observed that.

5 But I was curious to know, what do you
6 perceive as the major rule of the accounting
7 principles, especially recognizing the fact that there
8 are many choices that are provided in the guidelines.
9 Companies, for example, could choose between financial
10 control or operational control or the equity approach
11 or to define entity. Or they could choose different
12 types of reduction equities to divide projects up into
13 each level.

14 So in many other places also you have
15 choices. In our opinion and understanding, the role of
16 accounting principles becomes very meaningful where you
17 have these kinds of choices. On what basis or what
18 criteria you should choose -- you should apply to make
19 those choices.

20 So for example, here you clearly require that
21 reporting entities must have a legal basis and be named
22 appropriately. Now, there are three choices. So, but
23 you do not provide any additional guidelines. So the
24 question comes up -- and I think some parties here
25 raised that point, also -- in this context there is a

1 very important principle that is called the principle
2 of relevance or principle of substance over form.

3 In the context of financial control also, it
4 is a very important principle that economic realities
5 should be the basis of your making decisions about
6 strategies that will be part of your entity.

7 So I don't see any mention of accounting
8 principles, and I wanted to have your response on what
9 you think is the place of accounting principles in the
10 revised guidelines.

11 MR. FRIEDRICHS: I don't think I'm in a
12 position to respond, except to say that you make a
13 valid point. I encourage you to submit some
14 suggestions on how we can better incorporate accounting
15 principles into the guidelines.

16 MR. BROOKMAN: I'm thinking that maybe we
17 should move to the next slide. There are several
18 additional bullets that we wanted to cover between now
19 and lunch.

20 MR. FRIEDRICHS: Yes.

21 MR. BROOKMAN: Do you want to cue this up,
22 Mark?

23 MR. FRIEDRICHS: We've covered international
24 or non-U.S. emissions and reduction sum. This slide
25 simply outlines the basic requirements for reporting

1 non-U.S. emissions and reductions associated with the
2 reporting entity -- part of the reporting entity's
3 operations. There are some other rules for reporting
4 offset reductions which are generated outside the
5 United States, but these pertain to the reporting of
6 emissions and reductions that are part of your
7 operations.

8 If you want to report non-U.S. emissions and
9 reductions, you have to first report your U.S.
10 emissions and reductions. U.S. is defined as the 50
11 states and territories.

12 Each of the countries that you report on need
13 to report somewhat separately. We need -- especially
14 on the reduction side because of certain methods used
15 in the calculation of reductions. But in general, the
16 report on non-U.S. operations needs to follow the same
17 requirements that are applicable to U.S. operations,
18 U.S. emissions and reductions.

19 Is there any other general comments or
20 questions on the reporting of non-U.S. operations?

21 MR. BROOKMAN: Bob Schenker.

22 MR. SCHENKER: Bob Schenker, General
23 Electric. Just a question. You say that each
24 individual country must be treated as a separate
25 subentity. Does that mean then I need to do a measure

1 as to whether the production has increased or decreased
2 for each individual country as I'm going through doing
3 my inventory, trying to register a reduction?

4 MR. FRIEDRICHS: I think that would be the
5 implication if you were using absolute emissions for
6 each country, and that's a good point. The concern
7 about -- well, the necessity to report by country goes
8 back to some of the specific emission coefficients that
9 are used in emission reduction calculations for
10 indirect emissions associated with electricity, and
11 those coefficients are really country-specific. So
12 that was the origin of that requirement.

13 MR. SCHENKER: But that shouldn't be a reason
14 as to why you've got to handle the production of each
15 separately. Really, a lot of our operations are
16 managed based on functional relationships or legal
17 entities and so forth which cross country boundaries.
18 It gets to be -- I'm talking 25 to 30 countries here,
19 guys.

20 MR. FRIEDRICHS: Right.

21 MR. SCHENKER: It gets to be a fairly
22 difficult accounting activity to try to break this out,
23 especially if I'm doing the intensity as a goal. If I
24 have to come up with a denominator for each individual
25 country, it starts to get very administrative, very

1 bureaucratic. A lot of extra work has to be done
2 without any real benefit to the program.

3 I recognize the need to -- I have no problem
4 with reporting emissions on a country-specific basis,
5 but I get into a lot of detailed information. It gets
6 much more complicated for me, much more administrative,
7 and much more expensive.

8 MR. FRIEDRICHS: Thank you.

9 MR. BROOKMAN: Additional comments on this
10 slide before we move on?

11 (No response)

12 MR. BROOKMAN: We're moving on.

13 MR. FRIEDRICHS: This just is a very brief
14 summary of each of the pieces of information that need
15 to be included in entity statements, including a
16 description of the sources and the activities.

17 You will note that entities are required to
18 identify any parent or holding companies not covered in
19 the inventory or not included in the definition of the
20 reporting entity, as well as define any large
21 subsidiaries or organizational units that are covered
22 by the defined entity and by the reports.

23 There needs to be a certification that
24 jointly owned sources are not double counted, and there
25 needs to be an annual identification of any significant

1 changes in your entity statement.

2 MR. BROOKMAN: Yes. Bob Schenker.

3 MR. SCHENKER: You're going to hear a lot
4 from me today. Bob Schenker, General Electric Company.

5 My entity statement hopefully is not going to
6 be a telephone book, but it's not going to be trivial.

7 Part of the question I have here really is, how much
8 detail is DOE really looking for and how much does it
9 really need? What is a large subsidiary? Because I
10 have no idea how many subsidiaries we have. That's one
11 of the things I'm going to have to find out.

12 (Laughter)

13 MR. SCHENKER: How much description do you
14 want to have on how much business is occurring in each
15 individual country in each individual subentity and
16 subsidiary?

17 The changes that I'm going to go through will
18 be so significant that I will basically republish a new
19 report every year. Here again, there is an enormous
20 amount of work that goes into this statement that
21 really has nothing to do with greenhouse gas emissions
22 or reduced emissions. I would hope that we could -- I
23 understand I have to provide enough information so it's
24 transparent so people can understand the boundaries of
25 my inventory. I understand that.

1 MR. FRIEDRICHS: That's the objective.

2 MR. SCHENKER: But please keep in mind that
3 this gets to be a very major undertaking for someone
4 like GE.

5 MR. FRIEDRICHS: We very consciously decided
6 in many cases to not use the kind of specific language
7 that might be regulatory in nature. Using terms like
8 "large" and so forth is obviously open to
9 interpretation based on the circumstances of the
10 company reporting. So we do expect individual
11 companies to exercise their own judgment in many of
12 these cases.

13 The clear intent is to try to create entity
14 statements, however, that do provide a full picture of
15 the reporting entity, an accurate representation of the
16 activities and emissions of that entity. So that's
17 what we're trying to achieve.

18 MR. BROOKMAN: Other comments on this slide?

19 Yes, please. Adam.

20 MR. DIAMANT: Adam Diamant, Electric Power
21 Research Institute. I have a question for
22 clarification. Could you clarify exactly how the
23 certification of jointly owned sources are not double
24 counted? As you know, many electric generation
25 facilities are jointly owned, and I'm not quite sure I

1 follow how that certification is supposed to work.

2 MR. FRIEDRICHS: I'm not sure -- obviously,
3 for example, if you were -- you might have a jointly
4 owned facility where you, the reporting entity, is
5 reporting on all of the emissions and the other entity
6 is not separately reporting at all. The certification
7 would simply say that.

8 If, however, you were using some kind of
9 equity share basis for defining your entity and you
10 were actually sharing the reporting responsibilities
11 for a particular facility, then that's what you would
12 certify to, that you have split the reporting
13 responsibilities and another entity is reporting on
14 some part of a particular generating facility.

15 Does that get at your question?

16 MR. DIAMANT: Yes, in part. I guess I'm just
17 wondering how one particular party can certify that
18 another party isn't going to do something.

19 MR. FRIEDRICHS: Of course, we're talking
20 about only those facilities where you're in a joint
21 ownership situation. So you would clearly have a
22 relationship that exists and presumably you can come to
23 an agreement about how the emissions and emission
24 reductions associated with a particular facility are to
25 be reported under the program. That's what we're

1 requiring by this section.

2 MR. BROOKMAN: Your comment suggests that
3 that may not be readily definable or understandable
4 easily.

5 Yes, Eric. Eric Kuhn.

6 MR. KUHN: Eric Kuhn with Synergy. I think
7 the point is that if Synergy and another electric
8 facility were jointly owned and generating, Synergy can
9 sign a certification that there is not double-
10 reporting. However, that does not preclude the other
11 company from changing its mind and reporting something.

12 There is no way -- yes, there is joint ownership.
13 Yes, you can come to an agreement that you are not
14 going to double-report, but that doesn't really
15 preclude the other company from doing it. We can't
16 guarantee they're not doing it.

17 MR. FRIEDRICHS: Yes. I think that is kind
18 of --

19 MR. KUHN: A certification is wise that you
20 are guaranteeing that.

21 MR. FRIEDRICHS: Right. I think there is a
22 kind of a reasonableness factor that we don't expect
23 the company necessarily to provide some kind of iron-
24 clad legal guarantee that the other company is not
25 reporting in a way that it had not agreed to.

1 MR. BROOKMAN: Additional comments on these
2 issues, entity statements, reporting requirements?

3 Yes. Right there, please.

4 MR. SHIDELER: John Shideler, NSF-ISR. This
5 last discussion kind of includes what in the financial
6 accounting world they call rights and obligations, this
7 question of certifying that you're not double-counting
8 emissions, which would be the subject of an agreement
9 or so on.

10 I would like to bring up here something from
11 the next session because it crosses the border between
12 these two sessions. This whole area of what goes into
13 the entity statement is very important, and when we get
14 to the verification part, I'm going to make the comment
15 that the guidelines are asking the verifiers to certify
16 things that really the companies themselves need to
17 certify.

18 And then the role of the verifier is to go
19 into the statement that has been made by the company
20 and verify that to some level of assurance.

21 So I think somehow in the next section there
22 was a misunderstanding of what verifiers normally do
23 and how they work. So we have got to bring back to the
24 entity statement those things that the entities
25 themselves have knowledge and control over and then

1 make the verification simply a -- basically a
2 verification of something that the entity has stated.

3 Thank you.

4 MR. BROOKMAN: Yes. Bob Schenker.

5 MR. SCHENKER: Bob Schenker, General
6 Electric. I would like to go back to the certification
7 of the jointly owned facilities. We have numerous
8 joint ventures all over the world where we've got local
9 minority partners. If I understand it correctly, the
10 language here says "Reporting entity took reasonable
11 steps to ensure that directive nations' emission
12 reductions and/or sequestrations reported are neither
13 double-counted nor reported by another entity."

14 So basically, what you're saying is that
15 these reasonable steps would be that we would have to
16 reach some kind of a negotiated agreement with each one
17 of these minority partners all around the world? What
18 is "reasonable steps"?

19 MR. FRIEDRICHS: We didn't define it
20 carefully.

21 (Laughter)

22 MR. FRIEDRICHS: You can let us know how you
23 think we should define it. But clearly, the intent was
24 to provide a workable mechanism by which DOE, and the
25 public in a sense, could get some assurance,

1 particularly for facilities that do involve some kind
2 of shared ownership, that the emissions and reductions
3 associated with those facilities are not being double-
4 reported under the program.

5 In the case of minority shares where you have
6 clear financial control and so forth, I think that that
7 certification could be quite simple and could be in
8 your hands alone, not necessarily -- because under the
9 requirements, a company that is reporting on a
10 minority-owned facility is going to have to demonstrate
11 that it has got an agreement with you essentially to do
12 so.

13 MR. BROOKMAN: Bob Schenker.

14 MR. SCHENKER: Bob Schenker, General
15 Electric. Situations where we clearly have financial
16 control, because that is the test for us to include
17 this site in the inventory in the first place, this
18 little site, little business in China is not going to
19 be reporting a 1605(b). So we know it's not going to
20 be double-counted here, okay?

21 We can't necessarily control whether that
22 company chooses to report a reduction under its
23 reduction program in its country. You know, we can
24 have agreements, we can discuss it and so forth, but
25 how much effort do we have to go through to make sure

1 that that minority partner doesn't report something
2 through some other program somewhere else?

3 MR. BROOKMAN: Dave Conover.

4 MR. CONOVER: Let me just say that this is,
5 unfortunately, why they made lawyers.

6 I think that there are two sections of the
7 guidance that are controlling here. One is on 15190 in
8 Subparagraph K, which talks about -- I guess it's
9 Subsection K. If control is shared, reporting of the
10 associated emission reductions should be determined by
11 an agreement. It doesn't say "must be determined by
12 agreement." But if it is, then that agreement must be
13 included. That's one.

14 Two, as Mark said, reasonable steps are not
15 defined by us, and if this were legislation or
16 regulations or a mandatory program, perhaps it would be
17 more tightly defined or perhaps it would be defined in
18 the courts later on. But for the purposes of this
19 program, I think, were I in your shoes, I would do what
20 seemed appropriate, cost-effective, reasonable, send it
21 in, and that's how these issues are going to be fleshed
22 out.

23 MR. SCHENKER: Excuse me. Bob Schenker,
24 General Electric. Keep in mind that this is also tied
25 to the certification that some corporate officer has to

1 make a signature to. So that, we have to have some
2 type of reasonable inquiry to give a basis for the
3 person to do that certification. It's not as easy as
4 you think.

5 MR. CONOVER: I agree.

6 MR. BROOKMAN: Thank you.

7 MR. FRIEDRICHS: I'm sorry. One additional
8 point on that, and that is, it should be clear that
9 when we talk about double-counting, we're talking about
10 double-counting under this program. We're not talking
11 about double-counting between this program and a
12 program in China or a program in Europe.

13 So we realize that companies that are
14 reporting their non-U.S. operations may well be
15 participating in a program outside the United States as
16 well.

17 MR. BROOKMAN: Please.

18 MR. BHATIA: I wanted to make the same point,
19 because I understood that if it is within the context
20 of the same program. And so if there are two entities
21 who are related in some fashion and they both are
22 reporting 1605(b), then I think the issue will become
23 relevant.

24 But I think to also have companies or
25 participants of this, you might want to add some more

1 guidance or clarity on in what kind of conditions this
2 issue would be very meaningful and relevant. I think
3 you need to mention that if both related entities are
4 using different approaches to consolidate emissions.

5 So if one is using financial controls and the
6 other one is using the equity approach, then it's quite
7 likely that the emissions could be double-reported or
8 double-counted. So I think that clarity should also be
9 provided.

10 MR. BROOKMAN: Here first, then I'm coming
11 back to you, Jim. Jim.

12 MR. HAVEN: Jim Haven. I'm now a company
13 that is a joint venture between GE and Pittsburgh Plate
14 Glass, 50 percent ownership, but this company, that
15 makes a unique product, does not report their fuel or
16 electrical usages or production for a facility or
17 anything into the ownership. They are signing a
18 certificate, their management, that they do not provide
19 and that this entity's emissions are not reported by
20 any other entity associated with them.

21 So they are signing this. Their ownership
22 people are not reporting it, so they are allowed to put
23 the whole thing in.

24 MR. BROOKMAN: This company is making it
25 work, is what you're saying.

1 MR. HAVEN: Right.

2 MR. BROOKMAN: Yes. Jim, you're next.

3 MR. KEATING: Jim Keating with BP. Just
4 getting back to the first issue, Mark gave a U.S.-
5 specific example (off mike.) We have 200 production
6 fields, and if you ask, each one of those production
7 fields might have up to seven different partners with
8 very complicated relationships, again some reporting
9 entities, some reporting operational. It can get very
10 complicated, and there are real U.S.-specific examples
11 as well.

12 MR. BROOKMAN: Jim, would you suggest a
13 remedy?

14 MR. KEATING: I'm sorry.

15 MR. BROOKMAN: Would you suggest a way to
16 approach -- deal with that complexity?

17 MR. KEATING: Other than -- not off the top
18 of my head. It's a difficult problem. Yes, mandating
19 a specific type of reporting.

20 MR. FRIEDRICHS: Right. And of course, this
21 only comes into play when those upstream production
22 facilities, for example, are included within the
23 definition of your entity. It sounds to me, depending
24 on, you know, how you choose to set your organizational
25 boundaries, that those types of production facilities

1 might be in or out of your entity boundary. If they
2 are outside and you are not reporting on them directly
3 into the program, then you don't have to worry about
4 others reporting on those facilities.

5 MR. BROOKMAN: Final comments on these issues
6 before we move on?

7 Yes, over here. David and then Bill.

8 MR. FINNEGAN: Dave Finnegan, Mayer, Brown,
9 Rowe & Maw. I just wanted to ask a question of Mark.
10 Are the entity statements and certifications, are they
11 subject to 18 USC 1001 on False Statement? And
12 secondly, when you say that -- when you talk about
13 double-counting under this program, it doesn't say that
14 under this program. It just says double -- I mean, the
15 interim guideline.

16 MR. FRIEDRICHS: It should be clarified, so
17 we'll make sure we do that in any final guidelines.

18 I actually can't answer the legal question.
19 Mike, do you have any view on that?

20 PARTICIPANT: (Off mike)

21 MR. BROOKMAN: Mike, we can't hear you.

22 MR. FRIEDRICHS: Hold the mike.

23 MR. BROOKMAN: Get the microphone up close to
24 your face.

25 PARTICIPANT: Well, I don't know why the

1 statute would not apply to (off mike.)

2 MR. CONOVER: I think our intent -- this is
3 Conover -- our intent would be that it would, and some
4 guidance we've received already from our friends on
5 Capitol Hill is that we should make that clear. It is
6 pretty important about what you say in the statement
7 and certification.

8 MR. BROOKMAN: The last comment Dave Conover
9 mentioned.

10 Thank you, Dave. Thank you.

11 And, Bill Fang.

12 MR. FANG: Bill Fang with the Edison Electric
13 Institute. I wanted to return to the certification
14 issue that was raised by GE and other commenters. The
15 problem that we see is the extra burdens that are
16 created. I'm looking at 300.7(d) and then
17 300.10(c)(ii).

18 I'll start with 300.10(c). Actually, there
19 are six certifications that are listed there.

20 MR. BROOKMAN: Can you give a page, Bill?

21 MR. FANG: 15191.

22 MR. BROOKMAN: Okay.

23 MR. FANG: (c) under 300.10 addresses
24 additional requirements for registering, and it says
25 that certification statement of an entity registering

1 reductions must also certify that.

2 And then (ii) under that talks about any
3 emissions, emission reductions, or sequestration
4 reported that were achieved by a third party are
5 included in the report only if there exists a written
6 agreement with each third party, providing that the
7 reporting entity is the entity entitled to report these
8 emissions, emission reductions, or sequestration.

9 So that is a written agreement kind of
10 requirement. The real problem is caused by 300.7(d).
11 Now, that's on page 15188.

12 There it says, "The report to DOE must also
13 include a certification by the third party indicating
14 that it has agreed that the reporting entity or
15 aggregator should be recognized as the entity
16 responsible for any registered reductions and that the
17 third party does not intend to report directly to DOE."

18 So not only does the reporting entity on the
19 registering reduction have to provide the six
20 certifications, including the written agreement one
21 that we talked about a moment ago, it also has to
22 gather all these -- literally, it could be for some
23 utilities hundreds of certifications from third parties
24 indicating that those third parties have agreed that
25 the reporting entity should be recognized as the entity

1 responsible for the registered reduction and that the
2 third party does not intend to report directly to DOE.

3 I mean, our recommendation is that the
4 300.7(d) requirement be deleted in its entirety. You
5 already have a certification, or six certifications,
6 covered under 300.10(c). So with written agreements
7 and no double-counting, you shouldn't need this
8 additional burdensome certification.

9 MR. FRIEDRICHS: Thanks. Just to emphasize,
10 those comments were focused on the requirements
11 regarding the report of offset emission reductions,
12 reductions achieved by third parties. Third parties by
13 definition are outside of your entity boundaries, and
14 those -- we need to have some assurance that there is a
15 relationship, although the point is well taken we might
16 not require the double assurance that appears in the
17 guidelines presently.

18 MR. BROOKMAN: Let me note that it's very
19 helpful when people are commenting to suggest what they
20 think the fix might be, please.

21 Jim.

22 MR. MUTCH: Jim Mutch with Xcel Energy. Just
23 a follow-on example or a follow-on comment to what Bill
24 Fang at EEI mentioned. In the case of certain kinds of
25 third party programs, particularly demand site

1 management programs where you have most of the counter
2 parties are householders or very small entities, it is
3 inconceivable to think about getting a certification
4 from hundreds of thousands of householders that they're
5 not going to register their associated reductions.

6 MR. FRIEDRICHS: Yes. This is a problem
7 we've been wrestling with. We certainly would like
8 ideas on how we can accommodate these kinds of third
9 party reductions without undermining our overall
10 objective, and that is to avoid double-counting and to
11 -- but yet to establish a mechanism for these very
12 small third parties that is workable to include them
13 under the program.

14 MR. BROOKMAN: Final comments before we move
15 on?

16 (No response)

17 MR. BROOKMAN: Okay.

18 MR. FRIEDRICHS: We've actually been
19 addressing a number of the issues that I'm going to be
20 talking about before lunch, and lunch is fast
21 approaching. So I want to go through my remaining
22 slides fairly quickly.

23 Do we have any small emitters or those
24 concerned about small emitters here? Actually, perhaps
25 all of you are because they might be producers of the

1 offset emission reductions.

2 Just one note, and that is that a small
3 emitter needs to complete an estimate of their total
4 emissions in order to start reporting as a small
5 emitter, and they need to redo that estimate every five
6 years. So there are some special reporting
7 requirements for large emitters and small emitters at
8 the start of reporting.

9 We have already talked some about offset
10 entities or offset emission reductions generated by
11 third parties. We haven't used the term "aggregator."

12 Aggregator is the primary reporter, but in this case
13 the primary reporter perhaps does not have -- is not
14 reporting their own emissions and emission reductions
15 but instead is reporting on behalf of a large number of
16 third parties.

17 So we've tried to provide these mechanisms by
18 which the primary reporting entity can report
19 reductions achieved by third parties.

20 Why don't I quickly ask whether there are
21 comments in this area.

22 MR. BROOKMAN: Please.

23 MR. PRILLAMAN: Yes. Hunter Prillaman,
24 National Lime Association. On aggregators, I guess my
25 broad comment is, I don't think the guidelines say

1 enough about aggregators and how they should work.

2 This is particularly important for some of us who
3 are participating in Climate Vision, which is a
4 sectoral obligation.

5 Our association, for example, has been filing
6 reports to DOE under Climate Vision in which there are
7 not entity-specific information. It is all aggregate,
8 and it is an aggregate sectoral approach. From what I
9 saw in the previous slide, it seems to me to comply
10 with 1605(b) even as reporters we would have to change
11 our approach. That needs to be made clear. Especially
12 if there are aggregators who are going to be seeking
13 registration of reductions, that is important.

14 But even for those that are simply going to
15 report, the way it is right now, this is quite
16 different from what some of the commitments and work
17 plans under Climate Vision are calling for.

18 MR. BROOKMAN: Thank you.

19 MR. CONOVER: Let me -- if I may, on this.

20 MR. BROOKMAN: Dave Conover.

21 MR. CONOVER: This is the second time. I
22 think, AF and PA also mentioned this issue of
23 inconsistencies or challenges with respect to
24 fulfilling Climate Vision commitments. Let's try to
25 make sure to have a separate meeting with some of the

1 folks at DOE who are involved more closely than I in
2 the Climate Vision Program and see if we can't figure
3 out a path forward on this that's during the comment
4 period here.

5 But we definitely appreciate your point on
6 that.

7 MR. BROOKMAN: Thank you.

8 Yes, please. Bill.

9 MR. NICHOLSON: Bill Nicholson, AF and PA. I
10 would purely make the observation it would be very
11 desirable if EIA would publish the SEIT form and the
12 standard reporting form during the comment period. My
13 observation is that people looking at forms may see
14 things very different from what they see in the written
15 words.

16 MR. FRIEDRICHS: Let me take this opportunity
17 to introduce Paul McArdle.

18 (Laughter)

19 MR. FRIEDRICHS: No, stand up. Stand up.

20 And Stephen Calopedis, both with the Energy
21 Information Administration. They are busily working on
22 the preparation of the forms necessary to implement
23 this program.

24 Paul, do you have anything to say about your
25 current schedule for trying to make those available for

1 public review?

2 MR. McARDLE: Paul McArdle, EIA. Yes, we are
3 presently drafting the forms as they reflect the
4 general and technical guidelines as drafted right now.

5 Obviously, if the guidelines change a little, we'll
6 have to tweak the forms, although at this juncture we
7 are planning, if all goes well, to go out with a
8 Federal Register notice under the Paperwork Reduction
9 Act to have the form completed through OMB. Right now,
10 that would probably be sometime shortly after the
11 comment period closes.

12 We don't feel at this juncture that, number
13 one, we are ready to go out with the form. Number two,
14 we feel more comfortable going out with the forms once
15 the comment period is closed so we have a better feel
16 for some of the issues out there.

17 So I guess the comment period closes in May,
18 I believe. So it would be sometime after that time
19 frame.

20 MR. FRIEDRICHS: There is a possibility we
21 will extend the comment period, but we haven't made a
22 decision. So perhaps we will have some overlap, but
23 we're not sure.

24 MR. BROOKMAN: Sergio.

25 MR. GALEANO: Thank you.

1 I guess I'm missing -- is there going to be a
2 comment period for the draft forms, or you are
3 referring to this comment period and no comment period
4 for the forms?

5 MR. McARDLE: Paul McArdle, EIA. Under the
6 Paperwork Reduction Act, anytime you do what's called
7 an ICR, an Information Collection Request, the
8 statistical agency or the data collection agency issues
9 a Federal Register notice and either puts the forms in
10 the Federal Register or makes them available. We
11 generally put them on our website. Obviously, we can
12 mail them to people if they need them in hard copy.

13 We have I believe it's a 60-day comment
14 period on the forms. We gather those comments, and
15 then we normally issue a -- we go to OMB. We issue a
16 second notice where people submit comments to OMB.
17 Once OMB comes to agreement with EIA that the forms
18 reflect the data collection elements that we need to
19 collect, then the forms would become finalized and
20 effective.

21 MR. FRIEDRICHS: Thank you.

22 MR. BROOKMAN: Additional comments on this
23 slide.

24 Please, Bill.

25 MR. HAVEN: Jim Haven. This is on the

1 aggregator and the small businesses, just a comment on
2 that. I have about 15 to 20 small one- or two-facility
3 companies, and they're not big enough to eventually
4 trade or they don't have engineers to put the reports
5 together.

6 I put all their reports together and
7 encourage them to register, even the small ones,
8 because once it is registered, then we can group the
9 individual companies together as a bundle and be able
10 to treat them as a bundle as an aggregator, where if
11 they weren't registered, that wouldn't be possible if
12 it ever came up where we could do that.

13 MR. BROOKMAN: Thank you.

14 MR. FRIEDRICHS: We are at noon right now.
15 But I'd like to try to whip through these few remaining
16 slides into what was intended to be a separate section,
17 which we've already discussed quite a bit already,
18 covering Recordkeeping, Certification, and Independent
19 Verification.

20 This slide, actually, I'll skip over quickly.

21 It just is a graphic outlining the relationship
22 between base periods, the start year, which is the
23 first year, and inventory is submitted under the
24 program, and the reduction years.

25 Let me get right on to Recordkeeping,

1 Certification, and Other Requirements.

2 Recordkeeping, Certification, Verification, and

3 Process Issues

4 Mark Friedrichs

5 (PowerPoint presentation)

6 MR. FRIEDRICHS: The guidelines require
7 records to be kept for three years. There are
8 provisions for the protection of trade secret and
9 confidential business information. And as many people
10 have noticed, there are some fairly detailed
11 certification requirements. They are very briefly
12 summarized here, but they are much more extensive in
13 the guidelines themselves.

14 Finally, there is a provision defining what
15 independent verification is under these guidelines.
16 Independent verification, again, is encouraged, not
17 required, but the guidelines do provide a fair amount
18 of material describing what type of independent
19 verification must be conducted in order for it to be
20 recognized under this program.

21 We've already gotten some specific, very
22 useful comments on the content of those independent
23 verification guidelines. We would certainly like
24 others to focus on these provisions and to give us
25 explicit comment as well.

1 As I mentioned earlier, we have been trying
2 to break a little new ground here because the
3 greenhouse gas emissions measurement and reporting
4 procedures are still very much in the developmental
5 stage. There are still relatively few industrial
6 consensus standards regarding such reporting and
7 auditing or verification of such reports.

8 I'm sure that over time those private
9 consensus procedures and standards will be further
10 developed, but we would like to kind of help that
11 process along and start the recognition process in a
12 more defined way.

13 I've skipped over several different comments
14 or several different guideline areas here:
15 recordkeeping, protection of trade and confidential
16 business information, certification requirements, and
17 independent verification requirements. Before lunch,
18 do we have any further comment on these areas?

19 MR. BROOKMAN: Yes, please.

20 MR. SHIDELER: Yes. John Shideler, NSF-ISR.

21 On the independent verification, there is an issue
22 that I'm particularly concerned about. The language in
23 Section 300.11, Paragraph (e)(ii), where it says, "The
24 information reported in the verified entity report and
25 this verification statement is accurate and complete."

1 The way that that phrase is written kind of
2 suggests that it's an absolute verification. There is
3 no qualification of the type that is typically used in,
4 for example, the financial accounting industry, where,
5 first of all, a level of assurance is defined for the
6 attestation engagement, and levels of assurance can
7 vary from high to something less than that.

8 But even a high level of assurance is not
9 absolute assurance. A sampling plan is developed in
10 verification, engagements, and so on to find out what
11 are the areas in the emitter's statement that have the
12 greatest risk for problems. Then, one devotes some
13 more auditing resources to those areas with greatest
14 risk.

15 So I'm concerned about, just the way this is
16 stated, that it doesn't even suggest that there is some
17 level of assurance to which the attestation is made.
18 People might interpret that as meaning you've got to
19 verify everything. That would obviously send your
20 costs through the roof.

21 MR. FRIEDRICHS: I very much appreciate your
22 concern, and if you could give us some specific
23 comments on how you would change the language to make
24 it more appropriate and consistent with other
25 procedures, I'd appreciate it.

1 MR. BROOKMAN: Other comments on this?

2 Again, keep going.

3 MR. SHIDELER: Okay. I raised this earlier,
4 so I'll be more concise about it. But the paragraphs
5 that follow basically repeat what the reporting
6 organization is supposed to be certifying.

7 You know, from our perspective, those really
8 should not be repeated in this section. It should be
9 the verifier's role to verify to some defined level of
10 assurance using some kind of sampling approach that the
11 reporter's statement is accurate and complete.

12 But when you've got a phrase like you have in
13 Paragraph (5) there, "The verifier used due diligence
14 to assure that direct emissions and emission reductions
15 are not double-reported," well, all of a sudden you're
16 layering on top of whatever the reporting entity has
17 done by requirement on the verifier to itself use due
18 diligence?

19 No, that's not what typically happens in an
20 attestation type engagement. You should be responding
21 to what is in the report of the admitter and then
22 using, you know, the techniques of auditing to test and
23 to demonstrate assurance that those statements are
24 true.

25 MR. FRIEDRICHS: Thank you.

1 MR. BROOKMAN: Sergio.

2 MR. GALEANO: Thank you.

3 This might be a general question, but perhaps
4 closing the morning session might be appropriate. The
5 Technology Transfer Act of 1998 or whatever the year
6 encourages the agencies to take into account
7 international and other types of standards in their
8 regulations, making them perhaps on guidelines-making.

9 Of course, the ISO standard has been -- the
10 ISO organization has been working on the 14064 standard
11 for entities, projects, and verification and
12 certification.

13 I wondered to what extent those things have
14 been considered or are going just to be included by
15 references, et cetera, because it seems to me that a
16 complete disregard to what has been accumulated in
17 knowledge and experience in those standards is really
18 wasteful and contrary to prior statutes that we have
19 for that purpose.

20 So that is what I ask in that question in
21 general. Thank you.

22 MR. FRIEDRICHS: We have been trying to
23 monitor the ISO process as well as others. Obviously,
24 there have been a lot of developments over the last two
25 or three years, and there will continue to be, in all

1 of these different processes.

2 If you can assist us in helping us understand
3 where we can productively align ourselves more closely
4 with some of the international standards that are being
5 developed in this area, you know, please offer more
6 specific comments. But it's something that we are not
7 ignoring but we had some difficulty in keeping up.

8 MR. GALEANO: I provide copies of all that
9 documentation for the last three years to more than one
10 agency, from DOE to EPA, et cetera.

11 MR. BROOKMAN: Thank you. That was Sergio.

12 Let me note, folks, we will only go for about
13 10 more minutes before we break for lunch. In the
14 event people have many more comments to make, we will
15 take them up following lunch.

16 Lee Ann.

17 MS. KOZAK: Lee Ann Kozak, Southern Company.
18 I wanted to go back to the slide that talks about
19 start year.

20 MR. FRIEDRICHS: The graphic?

21 MS. KOZAK: Please. Hopefully that's not --

22 MR. FRIEDRICHS: That one?

23 MS. KOZAK: That one. And I guess my
24 question and comment goes to how the transition from
25 the current system to this new set of guidelines are

1 going to work with this kind of requirement. If a
2 company has a base period that goes back to 2002, the
3 first year for reporting under these guidelines will be
4 perhaps 2005 data or even 2006 data.

5 Do they have to go back and re-report or redo
6 the reports for the interim years to meet this
7 requirement before their reports will be accepted? If
8 that's the case, I mean, it seems that there's not
9 going to be much in the way of data reporting because
10 everybody has got to go back several years and catch
11 up.

12 So I can see where there would be a big gap
13 in companies actually reporting for the previous year
14 under 1605. You may not get a lot for a while if
15 that's the case.

16 MR. FRIEDRICHS: I'm not certain I
17 understood, but let me try to make it clear. Certainly
18 any company participating under the revised 1605(b)
19 guidelines can choose the year it wants to identify as
20 its start year for reporting under the revised
21 guidelines. We allow that start year to be as early as
22 2002 if the entity wants to register its emission
23 reductions. If it's not registering, it can go back
24 even further.

25 But of course, that year could be 2003 or

1 2004 or 2005, and obviously there are only some
2 entities that have in their records sufficient data
3 essentially now to go back and meet all of the
4 requirements for reporting their inventory in 2002 and
5 in subsequent years.

6 Under the revised guidelines, if you want to
7 establish your start year as 2002 and file a complete
8 inventory for that year, you would have to do that for
9 all of the intervening years as well: 2003, 2004,
10 2005, to establish a record of registered reduction.
11 If you choose not to do that, you can set a more recent
12 year as your start year: 2005 or 2006.

13 We recognize certainly that many companies
14 aren't going to have sufficient records to go back in
15 time and meet all of the requirements of the revised
16 guidelines so that most companies are likely to
17 establish a start year that's current or even in the
18 immediate future.

19 Is that clear?

20 MS. KOZAK: I think so. Just kind of -- if I
21 may, a quick comment-clarification. If that's the
22 case, then it sounds like it will be next to impossible
23 for anybody to use a base year that's consistent with
24 the president's goal.

25 MR. FRIEDRICH: Any year, of course,

1 following 2002 would still be sufficient to take
2 account of registered reductions that were achieved
3 after 2002. So those registered reductions would be a
4 contribution to the president's goal, although a
5 certain period of time between 2002 and the entity's
6 chosen start year would be missing from that record.

7 MS. KOZAK: So that it really would not be
8 able to pick up the complete contribution because
9 you're missing years. If you've got a later year that
10 you're starting from, that's going to affect your
11 baseline and the level of reductions you could even
12 report.

13 MR. FRIEDRICHS: Of course, if you have the
14 data, you can go back and establish a record from 2002
15 forward to establish a record of reductions for the
16 entire period. From 2002 to 2012 is the identified end
17 of the president's emissions intensity goal.

18 MR. BROOKMAN: Pankaj.

19 MR. BHATIA: I just wanted to express my
20 counterpoint on Sergio's comments on the use of
21 existing standards, including ISO.

22 WRI is also involved in the work on the ISO
23 standard, and I recognize that Sergio has been one of
24 the leaders on the ISO work. I think there may be some
25 specific issues, maybe, that have been observed which

1 is not reflected in the 1605(b), but I want to mention
2 that actually being involved in the ISO work as well as
3 in the geopolitical work, I think we should give due
4 credit to the DOE's 1605(b) guidelines.

5 I think that most of the attention standards
6 that are found within ISO work and WRI WBTSD protocol
7 are also recognized and in some form also reflected in
8 the new 1605(b). So I would not want to give the
9 impression that 1605(b) guidelines have not taken into
10 consideration the leading edge protocol work done by
11 various industry sectors in the U.S., geopolitical work
12 accomplished by WRI and WBTSD.

13 I think that many of those elements have been
14 adopted, but I don't want to give the impression also
15 that there are not some elements that we don't agree
16 with. There are many issues that I think WRI would
17 like to provide some views on, including how do you
18 count your reductions, how do you define your entities.

19 But I think the 1605(b) guidelines in fact go
20 a step further than the ISO standard in some ways. For
21 example, on the requirement of indirect emissions from
22 particularly electricity, I think there is a very clear
23 standard in the 1605(b) guidelines, and the ISO
24 standard provides some flexibility, and then, also on
25 the requirement of the start year.

1 So I wanted to respond. I think Sergio may
2 have some specific comments, but I didn't want that the
3 group here should have the impression that the 1605(b)
4 in some way is deviating in a significant manner from
5 the ISO standard.

6 Thank you.

7 MR. BROOKMAN: Sergio, briefly, because --

8 MR. GALEANO: Very briefly.

9 MR. BROOKMAN: Briefly.

10 MR. GALEANO: It's just to clarify that I
11 asked a question. I didn't make a recommendation,
12 because the standard ISO is not finalized.

13 Furthermore, Georgia Pacific in their own
14 protocol for our greenhouse gas inventories follows the
15 WRI protocol as close as possible. Even when the WRI
16 protocol was revised, we did revise our protocol. That
17 is on the website. So we don't -- that is our protocol
18 basis, is the WRI.

19 MR. BROOKMAN: Thank you.

20 We need to be headed towards lunch here
21 pretty quick, and I have a few concluding remarks from
22 the front of the room.

23 Final short comments. We can return to this
24 following lunch if people wish to do that. We don't
25 want to short-shrift this conversation.

1 Yes, Dave. A quick comment and then I'm
2 going to turn it back to Dave Conover.

3 PARTICIPANT: Just a question on a process
4 issue on Section 300.12. It provides that EIA will
5 review all reports to ensure their consistency with the
6 guidelines and then, subject to the availability of
7 funds, EIA intends to notify reporters of the
8 acceptance or rejection of the report.

9 The first question is, does that apply to all
10 reports both for registration and non-registration?
11 And secondly, what does -- why do you include the
12 "subject to the availability of funds" since you've
13 talked about earlier a notice of acceptance or a notice
14 document that EIA would issue? What does "subject" --
15 that seems to suggest that you won't do it sometimes
16 because you're short of money.

17 (Laughter)

18 MR. FRIEDRICHS: I think EIA's answer would
19 be they will do the best they can to meet that
20 commitment.

21 Unfortunately, it is extremely unpredictable
22 what the resource requirements will be for reviewing
23 and acting on all of the reports received under the
24 revised guidelines. We may get 1000 reports; we may
25 get 10 reports. If we get 1000 reports, I think EIA is

1 going to have trouble responding within six months to
2 all. But that's the reason for the qualifier.

3 Paul, do you have anything to add to that?

4 MR. McARDLE: Paul McArdle, EIA. I think I
5 can address -- there's one part of that question. I
6 agree with you on the budgetary issue. We don't know a
7 priori how heavily subscribed this program will be.
8 Obviously, anything we do is subject to budgetary
9 constraints, so we obviously have to get funding from
10 Congress.

11 But if we have that funding in place, in
12 terms of notifying people, we would intend to notify
13 people of their acceptance whether they've registered
14 or reported. We would -- I don't think going in we
15 would make that distinction. We would notify both,
16 whether they're reporting or registering.

17 MR. BROOKMAN: So I want to make sure people
18 see the slide that Mark just put up here, which I think
19 responds in part to some of the issues that Dave
20 raised.

21 Final comment from here, and then I'm coming
22 back to you, Dave Conover, before we go to lunch.

23 PARTICIPANT: Yes. I just wanted to comment
24 that the problem could be solved if EIA would outsource
25 the verification to independent third party verifiers.

1 (Laughter)

2 MR. CONOVER: On that note, I'm going to have
3 to leave, but I do look forward to spending tomorrow
4 morning with all of you. I want to express on behalf
5 of Secretary Bodman and Deputy Secretary Sell our
6 appreciation for your being here today and being so
7 actively engaged in this.

8 As you heard, the Deputy Secretary expects a
9 report back on how this session went. I think we'll
10 have a more full report after tomorrow's session for
11 him, but I'm going to take back that the sense in the
12 room was that a pretty good product, some serious
13 issues that we need to resolve or address, some
14 learning that needs to go on, and exchange of
15 information, but overall a pretty good product.

16 Is there anybody that disagrees that this is
17 overall a pretty good product?

18 (No response)

19 MR. CONOVER: Awesome. Appreciate it.
20 Thanks very much.

21 MR. BROOKMAN: Thank you.

22 (Applause)

23 MR. BROOKMAN: So it's now 12:25, almost. I
24 doubt that you can get back here in less than an hour,
25 but let's do.

1 In your packet -- please, everybody, stay
2 focused for three more minutes. In your packet, you'll
3 see a list of restaurants, most of which are in the
4 mall, which is right downstairs, one layer lower than
5 this. So please stay close. If you go to a restaurant
6 in one of the hotels, you may get bound up or held up
7 there.

8 We hope to resume at 1:25 on the nose. We
9 have a lot to cover this afternoon, and so please make
10 it back by then. Thanks for a good start on the day.

11 (Whereupon, at 12:25 p.m., the proceedings
12 were adjourned for lunch, to reconvene at 1:25 p.m.,
13 the same day.)

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1 A F T E R N O O N S E S S I O N

2 1:25 p.m.

3 MR. BROOKMAN: Is there anybody that wishes
4 to make additional comments and final comments on the
5 subject we left off on just prior to going to lunch?
6 That is the Recordkeeping, Certification, Verification,
7 and Process Issues.

8 So we're going to start there. Then we're
9 going to go very quickly to an Overview of the Emission
10 Inventories, and Ray Prince is going to lead that
11 overview. Then we'll have discussion. Then, following
12 that, we'll be going out into the breakout sessions,
13 around about 2:00, no later than 2:15. So that's the
14 plan.

15 So now would be the time, if there are any
16 additional issues that you have related to
17 recordkeeping, certification, verification, and other
18 process issues, to raise them now, while Mark
19 Friedrichs is standing here at the podium.

20 (No response)

21 MR. BROOKMAN: So, did we finish all these?
22 Steve, I thought you had one before we went to break.
23 No, you're all set. You got that one, okay.

24 Yes, Bill.

25 PARTICIPANT: Just a general clarification

1 question. Can someone speak to the level of detail of
2 data that needs to be reported under the program
3 relative to, let's say, Climate Leaders, where just a
4 direct/indirect roll-up is needed? It's not clear to
5 me what exactly is required under the 1605(b) program
6 in terms of level of data for disclosure.

7 MR. FRIEDRICHS: The level of data is likely
8 to be much more detailed in the 1605(b) report. It
9 should be clear in the forms being developed by EIA,
10 but quantities by source, the emission reduction
11 calculations by subentity as well as entity-wide.

12 So the level of detail in reports is likely
13 to be much greater under 1605(b) under the -- rather
14 than Climate Leaders.

15 There are some provisions for protecting
16 trade secrets or business confidential data under the
17 1605(b) Program. I believe that provisions are
18 controlled by the Freedom of Information Act, but I'm
19 not certain. I'm not an expert in that area. But
20 there are provisions for requesting data to be
21 protected.

22 But in general, the 1605(b) Program is
23 designed to make publicly available as much of this
24 data as possible: the entity statements, the
25 information on inventories and on reductions.

1 MR. BROOKMAN: Yes, Bill.

2 MR. NICHOLSON: Bill Nicholson, AF and PA. I
3 would purely make the observation in response to what
4 was just said that the more detail you provide and the
5 less protection you offer for that information, the
6 less people will play in the game.

7 I spent too much of my career trying to
8 figure out what my competitors were doing, and given
9 what you're starting to describe, if I was doing that,
10 I would love to have it. I know they would like me not
11 to have it.

12 MR. FRIEDRICHS: We recognize that it's going
13 to be a concern. We would like to hear how much of a
14 concern and how we might be able to address that.

15 We are constrained somewhat by the statute.
16 There are only certain reasons for protecting data and
17 reporters need to request and justify that protection.

18 MR. BROOKMAN: Yes, please.

19 MR. SHIDELER: Yes. I understand that --

20 MR. BROOKMAN: Your name, please.

21 MR. SHIDELER: Oh. John Shideler, NSF-ISR.
22 I understand that verification is an option in this
23 program for registered reductions, but the question
24 about public accessibility to data. Is it your
25 intention that if a reporter voluntarily does have

1 third party verification that the statement of the
2 third party verifier would become part of the public
3 record, also?

4 MR. FRIEDRICHS: I think so, yes. It would,
5 I believe, be part of the public record.

6 MR. BROOKMAN: Jim.

7 MR. HAVEN: Jim Haven. The companies I have
8 worked with, I offer them all a confidential
9 disclosure. I'm a third party aggregator. We prepare
10 reports for about 40 different companies.

11 On the data I collect from them is all of
12 their utility usage, their production numbers, the
13 dollars that went into the production, a lot of
14 confidential. I have that on the top half of the
15 spreadsheet, a big bar across. Above this line is
16 company confidential and below it, where I change
17 everything to equivalent metric tons CO2 and graph
18 that, that is what we report in.

19 We don't report how we came up with the
20 production factor. If DOE has any questions on how we
21 came up with it, they call me. If I can't answer it,
22 I'll call the company. So I'm the middle man between
23 each one of them, and I keep the confidentiality of the
24 company in hand that way.

25 MR. BROOKMAN: So one potential pathway, yes.

1 Go ahead. And then, Sergio, I'm coming to you.

2 MR. PRILLAMAN: Hunter Prillaman, National
3 Lime Association. Just to follow up on that last
4 question, as I read the new guidelines, it would not be
5 possible to maintain that level of confidentiality from
6 DOE if you wanted to register reductions. Because of
7 the requirements for what you have to submit for each
8 entity, I don't see how you could continue to do that,
9 because you would have to submit all this information
10 and inventories on each entity and the reductions of
11 each entity.

12 So I think this is going to be a big issue
13 for aggregators who currently are aggregating the data.

14 It looks to me like the role that you really have for
15 aggregators is simply pulling together the reports in
16 the stack and sending them in rather than aggregating
17 the data, which is what I think some people are doing
18 now.

19 MR. FRIEDRICHS: Yes. If the data involved
20 trade secrets or business confidential data, it might
21 be able to be protected by DOE, but it probably would
22 have to be submitted to DOE. I think that was your
23 point.

24 We have at least tried to think of some ways
25 in which the data utilized in calculating reductions,

1 for example, might be less revealing. For example, in
2 the use of emissions intensity metrics, it is possible
3 to use an index of output rather than a specific
4 quantity. But that's still potentially revealing.

5 MR. BROOKMAN: Sergio, and then back to you.

6 MR. GALEANO: Thank you.

7 Sergio Galeano, Georgia Pacific. This is a
8 serious question here when we were talking about the
9 certificate from the EIA and which it would be an
10 approval or disapproval.

11 The question is that an entity goes through
12 certain expenditures and purposes to obtain a
13 registration. Is there any way that there will be an
14 appeal or a revision?

15 For example, when we have a third party
16 certifier, by contract I ask them to provide
17 improvements to what we're doing. If during the course
18 of the verification those things come out, we just
19 implement them. We're talking here in most cases about
20 calculations, corrections, manufacturers, whatever.

21 So, is there any provision for that?

22 MR. FRIEDRICHS: I'm not sure. Are you
23 talking about keeping confidential certain parts of a
24 report by a verification --

25 MR. GALEANO: I'm sorry. I apologize for not

1 making my point clear.

2 The point is that if there is a rejection by
3 the EIA --

4 MR. FRIEDRICHS: By EIA?

5 MR. GALEANO: -- is there any way to appeal,
6 any way to know what it was in order to correct it?

7 MR. FRIEDRICHS: Oh. Certainly. Paul,
8 perhaps you can talk to that.

9 MR. McARDLE: Paul McArdle, EIA. I can
10 comment on how the present system works, and that is
11 after we review the submission and accept it into the
12 database, we do send a certificate to the folks
13 notifying that their -- actually, we send them a letter
14 first, but then we send them a certificate later,
15 letting them know that their data has been accepted
16 into the database.

17 We do not normally send out a rejection
18 letter. Normally we call the company and say, "We have
19 some issue with your report. Let us talk to you about
20 it and see if we can resolve it somehow."

21 I do not recall, at least in my tenure, ever
22 sending a rejection letter. I've been here about close
23 -- almost five years. So I don't think -- that's not
24 something we normally do. We normally try to work with
25 the company to make sure we can get it right.

1 MR. BROOKMAN: Nor is it envisioned under the
2 proposed guidelines.

3 MR. McARDLE: Yes. I don't see it in the
4 proposed guidelines at this juncture, either.

5 MR. BROOKMAN: I just wanted to clarify.
6 Okay. Thank you.

7 Final comments, perhaps, from Jim, and we're
8 moving on.

9 MR. HAVEN: On the confidentiality and where
10 you get your data, I have found that the best way is
11 through the company's annual reports, through the
12 Security Exchange Commission, and the state where
13 they're registered. That gives you everything you need
14 to know for just about -- for your boundaries, how
15 you're breaking it up, and it's not confidential. And
16 they seem to go along with that, the companies I work
17 with, because it's their record publicly.

18 MR. BROOKMAN: Mitchell, that was Jim Haven.

19 Ray, come on up and let's start with your
20 slides.

21 The next presentation -- we're going to move
22 on here -- is an Overview of Emission Inventories by
23 Ray Prince at DOE.

24

25

1 Overview of Emission Inventories

2 Ray Prince

3 (PowerPoint presentation)

4 MR. PRINCE: The first set of slides are
5 things that we have already covered, the elements of
6 the guidelines that have changed and the ones that were
7 changed and the key elements of the draft guidelines.
8 So we'll start with Slide No. 5.

9 The inventories distinguish between large and
10 small emitters. The large emitters are -- who want to
11 register reductions must submit an entity-wide
12 inventory annually, and there are three components to
13 this inventory report: direct emissions for all six
14 greenhouse gas categories, indirect emissions from the
15 consumption of electricity, steam, and hot and chilled
16 water, and then any sequestration that they may have
17 engaged in.

18 There is also another aspect of the inventory
19 which I'll discuss in just a minute, a requirement of a
20 quantity -- weighted quality rating of inventory that
21 must be 3.0 or greater.

22 The reporters are allowed to exclude up to 3
23 percent of their annual emissions on their de minimis
24 provision. They also are allowed to report domestic as
25 well as international emissions. And of course, all

1 reporters have to quantify emissions that are
2 associated with reported reductions.

3 Going back to that first point, the three
4 components of an emission report -- we're looking at
5 Table 10 here -- again, those three components are
6 anthropogenic direct emissions, anthropogenic indirect
7 emissions, and sequestration.

8 The definition of a direct emission that we
9 have used in the guidelines is that a direct emission
10 is from sources under the control of the reporting
11 entity when the emission occurred. Indirect emissions
12 are from sources affected but not under the control of
13 the reporting entity when the emission occurred. And
14 of course, the -- as I said, it's mainly -- indirect
15 emissions are related to emissions associated with the
16 consumption of generated energy.

17 Anthropogenic emissions are caused by human
18 activity or influence. Finally, sequestration is
19 defined as the long-term removal or prevention of
20 release of CO2 from or into the atmosphere by
21 biological or physical processes.

22 So the inventories recognize both terrestrial
23 sequestration, oceanic sequestration, and also geologic
24 sequestration, which has been of course recognized
25 under several different names. But I think we refer to

1 it as engineered sequestration in the guidelines.

2 Okay. Another important aspect of the
3 inventory system is the Emissions Rating System. This
4 is new. It was not presented in the earlier workshops.

5 The thing to recognize about the rating
6 system is that it is ordinal. Now, what we mean by the
7 term "ordinal" is that, first of all, we are not saying
8 that -- even though we give point values to these four
9 different ratings, we are not saying that Method A is,
10 let us say, twice as good as Method B, and that's twice
11 as good as Method C.

12 Perhaps of greater importance, we are not
13 requiring the same -- say if we look at one of the
14 characteristics of a rating and that is the accuracy of
15 the reporting protocol, that across industries or
16 across sources that they necessarily be of the same
17 quality. So you might have in one industry for various
18 reasons they have much finer developed reporting
19 systems. A B-rated system in one industry may be far
20 more accurate than a B-rated system in another
21 industry.

22 Because it is ordinal, every source and every
23 industry described in the guidelines has an A-rated
24 methodology. They may not have four different types,
25 but they all have an A-rated. Of course, the B-rated

1 is the least rigorous.

2 We then require that you come up with a
3 weighted average rating based on the equivalent CO2
4 tons from each one of your sources and that overall the
5 methodology employed in estimating emissions be equal
6 to or greater than 3.0. And you're required to do this
7 on an annual basis.

8 There are a number of issues associated with
9 the inventory system. Some of these are things which
10 from previous workshops or meetings different groups
11 have come up or that we think are important to note.

12 One of the issues actually is the type of
13 methodologies that we specify in the guidelines and the
14 quality ratings that we give them. This may be
15 especially an issue with some of the non-CO2
16 computation methods and may be an issue of particular
17 interest in the agriculture and forestry areas.

18 Another issue in the inventory is the
19 treatment of sequestration, whether you think you've
20 gotten it right. I would say probably in the area of
21 engineered sequestration there probably is some more
22 work that needs to be done.

23 There have been some issues raised about the
24 de minimis provision, whether 3 percent is too high,
25 too low, or just right. A question that came up

1 earlier today was how our guidelines coordinate or are
2 different from either the WRI or the Climate Leaders
3 guidance or the guidance under Climate Vision. I think
4 some of those questions have been answered.

5 Of course, we're interested in knowing if
6 there are ways to simplify the inventory reporting
7 system or if some of the methods just are not very
8 practical to use.

9 One of the differences between the inventory
10 part of the report and the reduction part of the report
11 if you are registering reductions is that you won't be
12 able to take all the numbers in your inventory report
13 and directly apply them in computing reductions.

14 First of all, there may be some additions.
15 Offsets are not reported in your inventory report, but
16 you get credit for them when you claim reductions.
17 Another case is, in determining indirect emissions, the
18 emission coefficient used for calculating your indirect
19 emissions in the inventory report is based on a
20 regional index, but in the reductions it is based on a
21 national index. This was an issue that was highlighted
22 in the Federal Register notice of availability as
23 something that we were interested in getting some
24 comments on.

25 Also, an issue that has been raised is

1 whether -- if a company chooses to establish a new base
2 value, a new base period, whether they should go back
3 and adjust all their inventory reports as well as the
4 base period. That's been another issue that was
5 raised.

6 So there are a number of issues, and I'll be
7 glad to try to answer any questions. Remember that in
8 the breakout sessions that follow this we are going to
9 be looking at the emissions inventory systems. We can
10 do as much as we have time for now.

11 MR. BROOKMAN: Let's start with Miriam, and
12 then I'll go to this gentleman here.

13 MS. LEV-ON: Miriam Lev-On, API. I have two
14 quick comments here. First of all, we appreciate the
15 definition of sequestration that you posted on the
16 board -- on the slides. Unfortunately, it's not the
17 definition of sequestration that is in the guidelines
18 under 300.2 for the general guidelines, because the
19 definition that is in the general guidelines only
20 recognizes removal of atmospheric CO2.

21 It doesn't have the parenthetical addition
22 that you have there of "prevention of release to the
23 atmosphere," which is of key importance when you start
24 looking at carbon capture and geological storage.

25 MR. PRINCE: I would agree.

1 MS. LEV-ON: On page 15183.

2 MR. BROOKMAN: Yes. Thank you.

3 MS. LEV-ON: So this is just an inconsistency
4 that needs to be remedied. The definition that you
5 have on the slide I think is a much more workable
6 definition than the one that currently is in the
7 Interim Final Guidelines.

8 MR. PRINCE: I would just point out that
9 under the definitions of sequestration, the removal or
10 prevention --

11 MS. LEV-ON: Which definition --

12 MR. PRINCE: I don't think -- yes. No, I
13 don't think it has the prevention.

14 MS. LEV-ON: Yes. That's what I'm saying.

15 MR. PRINCE: Prevention is not in here.

16 MS. LEV-ON: Under 15183, under the
17 definition -- on page 15183, the definition of
18 sequestration doesn't have the parenthetical addition
19 of prevention of release to the atmosphere, which is
20 really essential when you deal with carbon capture and
21 geologic storage.

22 MR. PRINCE: Yes. The term "capture" is in
23 there, but perhaps that could be refined.

24 MR. BROOKMAN: Thanks, Miriam, for that.

25 MS. LEV-ON: And then I have one more issue,

1 and that's to address the built-in inconsistency in the
2 way indirect emissions is being estimated by using
3 regional factors for the inventories and an average
4 national factor for the reduction.

5 We have not really analyzed it in great
6 detail, but on first flush it looks like it's very
7 burdensome. It might not be warranted.

8 MR. BROOKMAN: Mark Friedrichs.

9 MR. FRIEDRICHS: Let me just talk about that.
10 The problem we ran into was that the inventories and
11 the reductions were trying to measure two different
12 things. Inventories were trying to characterize the
13 total emissions associated primarily with electricity
14 demand, and those total emissions do vary a great deal
15 by region because of differences in the capacity makeup
16 of the power generating sector, whether there is a lot
17 of hydro or nuclear or others, or coal.

18 But on the reduction side, we're trying to
19 characterize the emissions reductions that occur on the
20 margin in a sense; what happens if you reduce demand by
21 some small amount.

22 In response to that kind of reduction, you
23 don't see any change in the utilization of hydro
24 facilities or nuclear or most renewable. What you do
25 see is a change in the fossil-generated plants.

1 So we saw a need for a distinction between
2 the two. But it is something that we're soliciting
3 comment on.

4 MR. BROOKMAN: Hunter, and then I'll go to
5 Bob.

6 MR. PRILLAMAN: Hunter Prillaman, National
7 Lime Association. I would just like to try to put a
8 little bit finer point on the comments that a couple
9 people made earlier about the quality ratings. This
10 idea of having to have a certain average quality rating
11 before you could register is going to discourage a lot
12 of reporting of those who don't quite meet that quality
13 level.

14 If you could retain the quality ratings
15 without having that limit, then the registered
16 reductions would be worth what they're worth. We
17 already have a situation where they're not equivalent
18 in value from industry to industry because the quality
19 ratings don't mean the same thing.

20 So it doesn't seem to me to make sense to
21 have a cutoff of the number three all the way across
22 when already you've got that three meaning something
23 different from industry to industry.

24 So it seems to me it would make more sense to
25 eliminate that. I guess that would be my comment.

1 MR. BROOKMAN: Thank you.

2 Bob? No. Yes, Mary?

3 MS. QUILLIAN: Mary Quillian with the Nuclear
4 Energy Institute. I guess I'm a little curious on your
5 Slide No. 7 when you were talking about components of
6 the inventory. Although avoided emissions are
7 definitely acknowledged in the guidelines, especially
8 under sections that are specifically talking about
9 reductions, I'm curious as to where avoided emissions
10 fall in this list and if you could talk about that a
11 little bit. Thank you.

12 MR. PRINCE: Well, avoided emissions are not
13 in the inventory. The electric or the energy
14 generators, including the electric generating industry,
15 are a special case in terms of what they have to do.
16 Almost everybody else can almost take their inventory
17 and add offsets and make a few adjustments and be ready
18 to go.

19 But if you happen to be an energy generator,
20 it's far more complicated. But it is when you go to
21 the reduction side that you then introduce or calculate
22 the avoided emissions. They are not part of the
23 inventory.

24 MR. BROOKMAN: Follow on, Mary.

25 MS. QUILLIAN: Mary Quillian, NEI. So that

1 means that basically a registered reduction is
2 calculated in the reduction section of the report,
3 which is separate from the inventory section of the
4 report.

5 MR. PRINCE: That's correct, yes.

6 MS. QUILLIAN: Okay.

7 MR. BROOKMAN: Lee Ann.

8 MS. KOZAK: Lee Ann Kozak, Southern Company.

9 I guess I've got two comments. The first one goes to
10 the question of de minimis emissions. The current set
11 of guidelines sets 3 percent as essentially a threshold
12 for de minimis emissions. There is still a requirement
13 that you quantify those in order to prove that they're
14 within the 3 percent limit.

15 Yet in the technical guidelines, page 3 of
16 the PDF version, there is a clear statement that says,
17 "Reporters should emphasize the emission sources that
18 account for the largest share of total emissions at the
19 possible expense of minor sources." This requirement
20 on the de minimis seems to go totally against this
21 statement.

22 Again, going back to the example of the
23 generators, the emissions from electricity generation
24 for those generators are probably 95, 98 percent of the
25 total. Yet the amount of time and effort and resources

1 that would have to go into quantifying the de minimis
2 emissions just to prove they're de minimis and that you
3 could exclude them is just huge. I mean, you're back
4 to kind of a 95/5 or 98/2 percent rule. There just
5 seems to be, you know, a disconnect there.

6 The second comment I have goes --

7 MR. BROOKMAN: Maybe we could receive an
8 answer to that one, if there is one.

9 MS. KOZAK: Okay.

10 MR. PRINCE: There are two possible
11 considerations. EIA is in the process of developing a
12 model for estimating total emissions. It is not ready
13 at this point, but we are hopeful that it will be ready
14 by the time the first reports have to be made.

15 It's also -- I would remind you that one of
16 the motivations behind the rating system was to contain
17 the cost of reporting or registering by allowing you to
18 use a, let's say, perhaps less expensive and somewhat
19 less accurate methodology for minor sources. So you
20 may be able to meet that requirement using a
21 methodology that would not be so costly.

22 But we certainly are very happy to have
23 further elaboration.

24 MR. BROOKMAN: Written comments on how that
25 would be addressed would be very helpful.

1 Do you want to move on to the next issue?

2 MS. KOZAK: The next comment goes to
3 emissions reductions from indirect emissions. I would
4 offer the suggestion that a better rate to use for
5 calculating those reductions would be -- that reflects
6 a marginal emissions rate for generation would be the
7 emissions from a combined cycle gas unit.

8 I mean, right now those -- for a good part of
9 the system within the U.S., that combined cycle gas is
10 -- some sort of gas is likely to be on the margin and
11 would be probably the best reflection of what the
12 marginal emissions effect would be.

13 MR. BROOKMAN: Thank you.

14 Mark? Mark Friedrichs.

15 MR. FRIEDRICHS: We would appreciate comments
16 from others as well on what they feel that factor
17 should be. The factor we identified in the proposed
18 guidelines, the draft guidelines, was essentially the
19 average emissions intensity for the U.S. electric
20 sector as a whole, which turns out to be roughly
21 equivalent to a gas-fired steam generator, which is a
22 little bit more intensive than a combined cycle plant.

23 MR. BROOKMAN: Yes, Bill. Your name, Bill,
24 for the record, and use the microphone, please.

25 MR. NICHOLSON: Bill Nicholson, AF and PA.

1 Two comments. One is sort of a follow-up on the factor
2 issue.

3 I noticed when I looked at your map of the
4 various eight or 10 electric areas -- being a
5 westerner, I looked at the west. I would observe that
6 if you go to the northwest, there is so much more hydro
7 up there than there is in California, than there is in
8 the inter-mountain west, that people that are
9 interested in those factors will be interested in
10 either benefitting or not benefitting by selecting
11 either the average or what really should be the correct
12 image that they're dealing with.

13 The second point I guess I wanted to make
14 related to the business of establishing new base years.

15 First off, you're requiring that we only keep data for
16 three years. An awful lot of attorneys tell us to
17 throw away our data if we don't have to keep it.

18 The second point that goes with that is that
19 you're talking about when you make a change. I think
20 you need to provide some examples or some more guidance
21 on what is a sufficient change to require a new base
22 year to be calculated. Then the idea of going back and
23 doing -- changing all your inventories, particularly if
24 you've thrown the data away, is really beyond the kemp.

25 MR. BROOKMAN: Okay. Yes, Bob.

1 MR. SCHENKER: I have to admit I'm confused.

2 Perhaps I missed something in going through the
3 technical guidelines. Are you saying that the emission
4 factors that we would use for -- when we're reporting
5 our reductions would be different from those that we
6 would use for the inventory?

7 MR. PRINCE: Yes.

8 MR. SCHENKER: Actually, we envision that we
9 would -- in doing an entity-wide inventory, that we
10 would take our -- say, our emission submittal of the
11 year 2012 and simply subtract the emission submittal of
12 the year 2004, or whatever baseline we choose, and then
13 we would be able to register a reduction from that
14 basis.

15 Are we saying we have to go into every single
16 source that we have and take a look at our electrical
17 reduction in each one and multiply it by a different
18 emission factor and so forth?

19 MR. PRINCE: You would have to -- for all
20 your electricity use you would, not for any other
21 source of emissions. In other words --

22 MR. SCHENKER: You're making life much more
23 complicated than it needs to be.

24 MR. FRIEDRICHS: The inventory -- the way the
25 guidelines are written right now, you'd have to do that

1 regionally according to NERC region. That factor would
2 vary. For reductions, it would be a single factor
3 nationwide. So there is that difference.

4 The -- yes, I guess that's it.

5 MR. BROOKMAN: Do you have a follow-on
6 question?

7 MR. SCHENKER: EIA has published state-by-
8 state factors also. Why have you now chosen to go to
9 the regions instead of the state? Is there a reason
10 why one is better than the other? I don't know.

11 MR. BROOKMAN: Mark Friedrichs.

12 MR. FRIEDRICHS: Just because there is
13 substantially more power exchanges among states and
14 within regions. So the state factors are much less
15 relevant now than they may have been 30, 40 years ago.

16 And that's often true even between regions. So a
17 single state factor is not necessarily the best
18 indicator of the emissions intensity of the electricity
19 being consumed in that state.

20 MR. SCHENKER: It's not that hard to change.

21 MR. BROOKMAN: Mary Quillian.

22 MS. QUILLIAN: Mary Quillian, Nuclear Energy
23 Institute. I would like to comment on this issue of
24 the factor use. It seems to me inherently unfair that
25 you use a sub-NERC region factor for calculating

1 emissions in certain cases and yet you use a national
2 average to calculate avoided emissions.

3 The reason I say that is because, as the
4 gentleman from the west pointed out, emission factors
5 do vary tremendously from region of the country to
6 region of the country. The reality is you probably
7 want to encourage reductions in the areas where the
8 intensity is greater.

9 So I encourage you to look at that and
10 consider using a more refined factor like a sub-NERC
11 region factor for calculating avoided emissions also,
12 recognizing that the electric -- I'm calling a spade a
13 spade here -- nuclear plants are going to displace
14 electricity in their area, not necessarily nationally.

15 So a nuclear plant in the northeast is going
16 to -- or, let's say in the midwest is going to displace
17 a significantly greater amount of greenhouse gas
18 emissions than a nuclear plant in the Pacific
19 Northwest.

20 MR. BROOKMAN: Thank you.

21 I want to make sure we balance as best we can
22 the time and observe the time for the breakouts,
23 because that's where the more detailed comment from all
24 of you is going to be obtained.

25 So I would like to now see if we can get

1 summary comment on this segment. Mark Friedrichs, do
2 you want to follow up?

3 MR. FRIEDRICHS: Yes, just a quick follow-up.

4 We really do welcome your input on this emissions
5 factor for use in calculating emission reductions. We
6 wrestled with this problem quite a bit. We looked at
7 capacity utilization on the margin in different regions
8 around the country. We looked at various approaches to
9 modeling the delivery of electricity in various regions
10 depending on time of day and month and so forth.

11 We found it an intractable problem. We ended
12 up choosing a very simple number, average emissions
13 intensity for the U.S. sector as a whole, because we
14 felt actually that was probably the best single
15 indicator of what the likely emissions being displaced
16 by marginal generation was.

17 But if anyone comes up with a great solution
18 to this problem, we would welcome it.

19 MR. BROOKMAN: Okay. So then, let's now take
20 final comments on this segment before we go to the
21 breakouts, which is on the Emission Inventories issues
22 that you see listed at the bottom of your agenda,
23 bottom of page 1 of the agenda.

24 Final comments, thoughts, questions on this
25 subject?

1 Yes, please. Eric.

2 MR. HOLDSWORTH: Eric Holdsworth, Edison
3 Electric Institute. Just a technical question or
4 comment. This relates to the Simplified Emissions
5 Inventory Tool that will not be put out, I gather,
6 until the forms are made available, which will be after
7 the deadline of the 60-day comment period.

8 It seems like it might be difficult then to
9 adequately comment on the guidelines if you've got a
10 piece that you might be using that won't be available
11 until after the 60-day comment period is done.

12 MR. BROOKMAN: Thank you.

13 (Interruption)

14 (Laughter)

15 MR. BROOKMAN: Had to do that.

16 Other comments now as we are moving on
17 towards the breakout?

18 None of you saw that, did you?

19 MR. PRINCE: I would like to ask Paul
20 McArdle, if you could; you know, when the forms are
21 issued, that has to go through a public commentary
22 period as well. Would the SEIT model be part of that
23 public -- do you know? If you know anything more about
24 the model itself.

25 MR. McARDLE: Okay. Paul McArdle, EIA.

1 Certainly the forms, under the Paperwork Reduction Act,
2 go through a 60-day public comment period and then an
3 OMB comment period. The SEIT tool; at this juncture I
4 don't know if there's any legal requirement for us to
5 make that publicly available, although that's, I think,
6 something EIA management will look at and decide on how
7 best to approach it. We're certainly a long way along
8 on developing that tool.

9 So we will probably -- go ahead, Mark.

10 MR. FRIEDRICHS: Just a simple thing we could
11 say about SEIT, though, is that it incorporates
12 activity-based estimation tools. It's very simple. It
13 tends to be the equivalent of a DEIT, or even below
14 essentially, in terms of estimating emissions.

15 So it's going to be a very simple tool to
16 use, and it's intended for use in identifying de
17 minimis emissions that could be excluded, determining
18 whether or not an emitter is a small emitter or a large
19 emitter, or for other uses for entities who wish to get
20 a quick, simple assessment of their total emissions.

21 MR. BROOKMAN: Final comment from Bob.

22 (No response)

23 MR. BROOKMAN: Thank you.

24 Here's what we're going to do next. We're
25 going to, all of us, in just a moment vacate this room

1 so they can move these air walls. We will create three
2 separate spaces, one, two, and three, that will be the
3 breakouts that you see on page 2 of your agenda. Would
4 everybody look there at that, please, right now?

5 You can see there are three different
6 segments. The first one A) Stationary and Mobile
7 Source Combustion; B) Industrial Process Emissions; C)
8 Mining, Oil, and Gas Emissions. This center segment
9 here, this column will accommodate more people. So I
10 want to get a sense of how you're going to distribute
11 yourselves.

12 How many of you think you want to go to the
13 Stationary and Mobile Source one?

14 (Show of hands)

15 (Laughter)

16 MR. BROOKMAN: Excuse me. All of you will be
17 here.

18 (Laughter)

19 MR. BROOKMAN: I guess we will put B, which
20 is Industrial Processes -- show me those people who
21 wish to participate in those?

22 (Show of hands)

23 MR. BROOKMAN: We'll put those of you over
24 here on the A side, and C then will be over there,
25 okay?

1 So here's the plan, then. It's now almost
2 2:10. By 2:20, we hope to commence this. There is
3 coffee out there now. Everybody should leave this
4 room. It's okay to leave your non-valuable things, I
5 guess, for a few minutes. Then we're going to
6 reconvene around about 2:20 and begin the breakouts.

7 One more final comment. Excuse me. I forgot
8 one thing. Mark reminded me. We're going to be in
9 breakout sessions for the remainder of the day. There
10 will not be another plenary until tomorrow morning. So
11 just take your stuff.

12 Thank you.

13 (Whereupon, at 2:10 p.m., on Tuesday, April
14 26, 2005, the proceedings were recessed to convene
15 breakout sessions.)

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1 UNITED STATES DEPARTMENT OF ENERGY
2
3 PUBLIC WORKSHOP ON U.S. DEPARTMENT OF ENERGY'S
4 INTERIM FINAL GENERAL GUIDELINES
5 AND DRAFT TECHNICAL GUIDELINES
6 VOLUNTARY REPORTING OF GREENHOUSE GASES (1605(b))
7 PROGRAM
8

9 Crystal City Marriott
10 Reagan National Airport
11 1999 Jefferson Davis Highway
12 Arlington, Virginia
13

14 Wednesday, April 27, 2005
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16 8:30 a.m.
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P R O C E E D I N G S

8:30 a.m.

MR. HOLDSWORTH: Eric Holdsworth, Edison Electric Institute. Well, I thought they were an effective vehicle to communicate some of the issues in depth.

Two concerns. One is that although there were note-takers, there didn't appear to be an official transcript going on. It would be good to have a lot of the thoughts recorded for the record.

MR. BROOKMAN: Thank you.

MR. HOLDSWORTH: My other thought was that it might also be informative perhaps to be able to address those issues in the larger plenary both to be on the record but to allow for a more informed discussion amongst all participants.

MR. BROOKMAN: Okay. Thank you for that.

Other thoughts on the breakouts yesterday and the utility, how they serve your purpose? Because there are two purposes to be served here. One is the Department's need for comment information. Another is for your -- to serve your needs as well.

So to follow Eric's comment, yesterday Mark Friedrichs was approached following some of the breakout session where that very suggestion, that we

1 conduct more of our business today in plenary and try
2 and cover these topics that are of concern to many
3 people and not force you to subdivide into several
4 different breakout groups, that we try and do as much
5 as we can in plenary for the bulk of the remainder of
6 the day perhaps. That was a suggestion.

7 So I wanted to float that past you as a
8 notion, change the agenda prospectively to reflect
9 that.

10 So, what do you think? I see some of you
11 going "yes."

12 My general impression yesterday was that some
13 of you have read these technical guidelines in
14 considerable depth and really understand them. My
15 other impression is that most of you haven't gotten to
16 that point yet. So that the exchange of information
17 for those of you that have depth and understanding here
18 I think will be useful for those of you that are still
19 coming up the learning curve.

20 It means we won't get to as much depth as we
21 would have in the breakout sessions, but it means that
22 everybody will get a broader pallet.

23 Yes? I'm looking to my federal officials
24 here. I'm looking -- so the group just confirmed. I
25 think the group is largely in accord that we should

1 stick with plenaries today.

2 PARTICIPANTS: Yes.

3 MR. BROOKMAN: And so that's the plan for the
4 remainder of the day. We will just -- after we finish
5 with the report backs this morning, we will take a look
6 at the subject matter that are listed on page 2 at the
7 bottom of your agenda and try and get a sense of how we
8 apportion our time for the remainder of the day.

9 Because you will recall, we will end today no
10 later than 1:00 as a courtesy and to allow people to
11 catch their planes and the like, okay?

12 Questions and comments before we begin?

13 Yes, Sergio.

14 MR. GALEANO: Sergio Galeano, Georgia
15 Pacific. Doug, it's a suggestion. We have gone
16 through all these efforts on the breakout sessions
17 yesterday and now we're going to review them. Could
18 perhaps it be possible to modify these topics in order
19 to reflect more --

20 MR. BROOKMAN: Your mike just went off. Turn
21 your mike back on.

22 MR. GALEANO: I'm sorry. Instead of just
23 following exactly this listing of subjects, trying to
24 get a little more reflection of the subjects that we're
25 going to discuss in a moment.

1 MR. BROOKMAN: Okay. So let's find a way to
2 see if we can weave them in, yes.

3 I think that the Department and the rest of
4 us that have constructed the agenda were trying to be
5 complete. You know, as we talked about this large
6 mammal, we took the foot of the elephant, the tail of
7 the elephant, the trunk of the elephant, and you know,
8 tried to -- and now all of us are kind of looking --
9 trying to look at this mammal, you know, kind of
10 holistically, and it's complicated. So we'll try and
11 weave in your ideas as we go along here.

12 So each breakout session, as I understand it,
13 has a reporter that's going to speak on behalf of --
14 you know, I'll just use this. Do we have a -- does
15 that thing have a long cord?

16 (Pause)

17 MR. BROOKMAN: A little bit of a cord. We
18 don't have a remote or anything. I'll just hand off
19 this.

20 Okay. So we're going to have report backs
21 beginning now. My group, Sergio and Bill, do you want
22 to start off reporting back on what you came up with
23 from Stationary and Mobile? That's Breakout No. 1.
24 And then we'll -- yes, come on up here, Sergio.

25 Where's Bill? There he is.

1 Report Back: Summary of Inventory Breakout Sessions
2 Stationary and Mobile Source Combustion
3 Bill Fang and Sergio Galeano

4 MR. BROOKMAN: So at the end of our session
5 yesterday, Sergio and Bill were volunteered to do this
6 activity, and I understand that happened in most of the
7 rooms. No one volunteered themselves. They were
8 volunteered into these activities.

9 So these are the notes that we took from our
10 session, the kind of summary comments that came from --
11 kind of major points that came from the discussion, and
12 a very broad-ranging discussion I should say. So I'll
13 hand this to the two of you, and the two of you can
14 figure out how to present. Just speak into this.

15 MR. FANG: This is Stationary and Mobile
16 Source Breakout Session. This first point -- I'm
17 sorry. I'm sure most of you can't read it, so I'll
18 just have to read it for you.

19 Continuous emission monitors, or CEMs. There
20 were a lot of points that while they apply to electric
21 -- to utilities, CEMs do not apply to non-electric
22 utility generators and do not apply to industry
23 generation sources. So the technical guidelines need
24 to be revised to reflect those realities, and that has
25 implications for the next topic, which is the Emission

1 Rating System, and so forth.

2 MR. GALEANO: Thank you.

3 From the first one, that is part of the
4 rating system, came the conclusions that we arrived at
5 from the whole afternoon discussion or morning about --
6 and the best way we could summarize that is us reading
7 here that it means -- I'm going to read it.

8 It's a general dissatisfaction with the
9 rating system. There were many different reasons and
10 views for that dissatisfaction, from the issues of
11 certain fundamental tests that have not been conducted
12 in order to determine if they really detect a
13 difference of accuracy between the levels, and at the
14 same time, if indeed it is a cost-effective assumption
15 or decision to do that.

16 So besides that, there were other issues,
17 too. Of course the cost part of it, but one other
18 topic that surfaced was that really the guidelines do
19 not establish a methodology about this rating system.
20 It's not even explained in what appears to be in more
21 detail as needed.

22 And then there were all these other systems:
23 the issue of consistency in the way that it's applied,
24 perhaps even in the way that it has been explained. It
25 appears that it's not even consistently explained about

1 what in fact are the ratings as you move on different
2 applications and in different industrial sectors and
3 why.

4 We have a -- again, I refer to the -- so that
5 pretty much takes care of that so-called general
6 dissatisfaction about the test.

7 Okay. Good. Thank you.

8 Another topic was a discuss -- was the de
9 minimis. There was, on the de minimis one, discussion
10 about really what does it mean, the de minimis, and how
11 the de minimis will be applied. It will be applied at
12 the facility, applied to the source, applied to the
13 entire entity inventory. So those things certainly
14 will need more clarification, and it looked like we got
15 even from our colleagues some different interpretations
16 about what they could be applied.

17 Then, another point was the level: is 3
18 percent better than 5 percent, more acceptable, more
19 realistic. That falls in the -- and of course no
20 resolution was arrived at on that point.

21 Finally, there was the observation that
22 during the whole process of the guidelines there is not
23 any discussion or even mentioning of materiality. The
24 materiality, and it was an attempt to define
25 materiality, was advanced. That level of uncertainty

1 that we make as users or the reader of the results
2 changed our mind. In other words, if we change our
3 mind because the level of materiality might be -- or
4 the level of uncertainty is too high and we don't make
5 an investment in a given trading of a greenhouse gas
6 unit, then that would be a materiality that is
7 important.

8 So those things somehow have to be factored
9 in.

10 MR. BROOKMAN: Thank you.

11 MR. FANG: Okay. This topic, purchase power
12 and indirect emissions, both from the inventory
13 standpoint and the reduction standpoint, is still very
14 confusing. There were some questions about some
15 language on page 145 of the technical guidelines: who
16 should be reporting indirect emissions from purchased
17 power. There was a lot of -- there were different
18 viewpoints expressed about the emission factor
19 coefficients, the regional factors from NERC, the
20 national figure, and there was a point that a different
21 approach should be used on the national figure or that
22 there should be sub-regional -- excuse me, sub-national
23 or sub-regional factors used.

24 There was also a separate issue about
25 emission credits for green power; who should get those

1 emission credits for green power.

2 MR. BROOKMAN: Questions for the reporters?

3 (No response)

4 MR. BROOKMAN: That's all. That's all the
5 points I think we established. That's the next group.

6 So thank you very much.

7 Let's then hear next from the Industrial
8 Process Emissions group.

9 Report Back: Industrial Process Emissions

10 Hunter Prillaman

11 MR. PRILLAMAN: Hunter Prillaman with the
12 National Lime Association. The Industrial Process
13 Emissions discussion basically broke down into three
14 areas. First of all, there were comments on the
15 inventory methods in the technical guidelines.
16 Comments there included such things as that there
17 needed to be up-to-date -- used and that although the
18 WRI protocols are an important basis and for a lot of
19 them are useful, but they may need some refinements.
20 Those were really things that would be -- had to be
21 commented on by the particular industries.

22 Probably the longest discussion was about the
23 interaction between 1605(b), Climate Leaders, and
24 Climate Vision. It was pointed out that it is useful
25 to have consistent protocols and reporting methods for

1 all those programs, even if they're not consolidated.

2 There are problems with trying to consolidate
3 them, probably because of the different goals of the
4 programs. In particular, several participants whose
5 industries were involved in Climate Vision predicted
6 that the Climate Vision would lose participants if they
7 were required to submit the kind of information that is
8 currently in the 1605(b) guidelines that allow
9 companies that are willing to participate on a sectoral
10 basis but would not be willing to provide kind of
11 company-based information.

12 On the other hand, there are some companies
13 who are involved in Climate Vision that would be
14 willing to -- that would want to separately register
15 their reductions. So you sort of have an inherent
16 double-counting problem if you're going to do a
17 sectoral report on the Climate Vision and have
18 individual companies.

19 So there was a discussion of, well, should
20 Climate Vision remain a separate program or, if it's
21 included in 1605(b), 1605(b) has got to be altered to
22 make it possible for that program to continue.

23 In general, a related issue. There are some
24 aggregators that would like to be able to register
25 reductions in an aggregate manner, and that isn't

1 really well laid out in the guidelines on how that can
2 be done.

3 I guess a related issue to this is a question
4 of public disclosure and confidentiality. It is a big
5 concern to a lot of industrial companies to maintain
6 the confidentiality of their processes and even of
7 their intensity. So that is something that has to be
8 looked at carefully on this side.

9 The third major point was discussion of the
10 quality ratings, and a lot of the same points that we
11 just heard were brought up. There are differences
12 between the ratings across industries and what they
13 mean. They are somewhat ambiguous. There are some
14 inconsistencies.

15 It was also mentioned that there was too much
16 emphasis on direct measurement -- and that a lot of
17 industries currently do not use and are not required to
18 use SEIT and that it should not be the A-rated method,
19 and that in many cases it's not practical and it's just
20 not likely that people are going to install continuous
21 monitoring in order to get involved in this program.

22 Finally, for large, particularly diversified
23 companies, the issue of how to derive a weighted
24 average under the rating system is going to be very
25 challenging. There may be various different ways of

1 doing it that need to be sketched out.

2 Those are the main points that someone else

3 --

4 MR. BROOKMAN: Stay up there, Hunter.

5 Questions for Hunter? Additional questions
6 or comments following that presentation?

7 (No response)

8 MR. BROOKMAN: Thank you.

9 So now let's hear from the Mining, Oil, and
10 Gas Production folks. You've got a -- this breakout
11 group was organized.

12 Use this.

13 MR. ARMSTRONG: I'm Randy Armstrong with the
14 Shell Oil Company. There were four main --

15 MR. BROOKMAN: I think it's on.

16 Report Back: Mining, Oil, and Gas Production Emissions

17 Randy Armstrong

18 MR. ARMSTRONG: There were four main topics
19 that we talked about. One was the API Compendium. The
20 DOE were using that inside the recommended methods and
21 encouraged that that continue to be the method for its
22 use in the oil and gas areas.

23 MR. BROOKMAN: Use that one over there,
24 please. I'm sorry.

25 MR. ARMSTRONG: On the API Compendium, we

1 commend the DOE for recognizing that method. We also
2 encourage them to continue to do that. It is also --
3 in the oil and gas business and our work
4 internationally and are recommending that it is used
5 internationally so that we report on a system basis.

6 The second one is around the quality rating
7 and the default factors. It is highly unlikely that
8 the industry for oil and gas and the mining industry
9 will be able to make a 3.0 quality rating with the
10 present proposal. Many of the things that are not
11 measured and are often calculated are based on default
12 factors.

13 The other piece in here is, some of those
14 default factors have a significant amount of
15 information behind them, and we believe that they
16 should be given higher ratings than (off mike.)

17 The third item is in the accounting of
18 sequestration. This is work that's presently ongoing
19 (off mike) agreed-to methodology at this point in time
20 on how to do accounting for sequestration, whether it
21 is sequestration by itself or sequestration as part of
22 an enhanced flow recovery activity. We believe that's
23 an important part of controlling CO2 in the future and
24 recommend that the DOE will have some provision for
25 blending international agreements around how you do the

1 accounting for sequestration work and include the
2 methodology that is there.

3 The last one is in adding new factors or new
4 calculation methods. We would recommend to the DOE
5 that they define how that would be done in the future.

6 Hopefully it will be done something short of going
7 through public hearings and an update every three or
8 four years (off mike) because the factors and
9 methodology are usually continuing improvements in
10 those areas.

11 Are there any questions?

12 MR. BROOKMAN: Questions for Randy?

13 (No response)

14 MR. BROOKMAN: I see none. So thank you, and
15 thanks to that round of presenters.

16 (Applause)

17 MR. BROOKMAN: Okay. Now we're going to move
18 to the second round of breakouts and start with Waste
19 Treatment and Handling. That is the second breakout
20 session.

21 Do you want to use the podium? Yes?

22 Report Back: Waste Treatment and Handling

23 Richard Anderson

24 MR. ANDERSON: Richard Anderson with Waste
25 Management. With -- I think it's fair to say we had

1 fairly light turnout on our session. I think there
2 were maybe eight people, counting the facilitator. So
3 the conversation pretty much focused on landfill --
4 municipal landfill emissions. I think some of the
5 comments probably pertained to other types of waste
6 handling treatment as well.

7 The first point, which was a point we try to
8 make a lot as regulators is that municipal landfills
9 are pretty unusual compared to most other industries
10 and process type sources. We can determine with a
11 pretty high level accuracy what our emission reductions
12 are, greenhouse gas reductions, but the methods for
13 estimating the total gas generation potential are
14 pretty inaccurate.

15 Mainly -- there are not even models. At
16 present, there is no way to directly measure the total
17 amount of gas being emitted by a landfill. So the best
18 methods available are, first, order of decay models,
19 which is a very simple approach to trying to model the
20 complex and dynamic situation inside of a landfill.

21 What this means is that when we report or
22 register reductions, those are going to be fairly
23 accurate and defensible. When we prepare inventories,
24 those are going to be subject to pretty large
25 uncertainties. We just kind of need to be, as we work

1 through this program, be cognizant of what effects that
2 situation may have as we go through the program.

3 Concerning the rankings for the estimation
4 methods that are in the technical guidelines, we
5 generally agree that the rankings are appropriate, but
6 as has been mentioned by several other people, because
7 our very best method, our A-rated method, is a
8 mathematical model and not a direct measurement
9 approach, we again need to be very clear and aware that
10 you can't compare the accuracy of methods between
11 industries.

12 On the de minimis issue, again given that the
13 inventories -- because the modeling approach that is
14 used will be subject to large uncertainties, we have a
15 challenge to face in determining or figuring out how to
16 balance a complete inventory with an accurate
17 inventory. The uncertainty in gas generation rates
18 could easily be larger than a 3 percent or a 5 percent
19 de minimis value, maybe even more than that. So we
20 have to figure out how to deal with the numerous small
21 sources that we have relative to the big picture.

22 Baselines. We talked about baselines a
23 little bit and how the concept of a baseline year or a
24 baseline period applies or doesn't apply very well to
25 the landfill industry. This is because the generation

1 of greenhouse gases and landfill gases increases with
2 time and with the amount of waste that's in place, and
3 then it decreases over time, after the waste placement
4 has ceased.

5 Essentially what happens is, landfills are
6 different from process industries because the emission
7 rate is not proportional to the process operating rate.

8 In our case, we would probably look at something like
9 the daily or annual waste acceptance rate as a process
10 rate, but the emissions being generated are not
11 proportional to that.

12 So you take all this into account. The
13 concept of a baseline kind of starts to lose meaning.
14 You know, what value does it even have?

15 Finally, there was one interesting non-
16 landfill issue that came up. We didn't really resolve
17 it or talk about it too much, but it was how to deal
18 with greenhouse gas emissions that might result from
19 the required control of some other air pollutant, such
20 as VOC stream that is being controlled in a thermal
21 oxidizer or fume incinerator.

22 Because this is required by another
23 regulatory requirement or permit, should some kind of
24 special consideration be given to that. We didn't
25 really have an answer or come up with suggestions. It

1 was just an interesting question that was raised I just
2 wanted to share with the group, so.

3 MR. BROOKMAN: Thank you.

4 MR. ANDERSON: Any questions?

5 (No response)

6 MR. BROOKMAN: Thank you.

7 So the next presenter will be on Indirect
8 Emissions, and that is Lee Ann and Bob.

9 Do you want to use -- I think this is now
10 working.

11 MR. SCHENKER: I don't think I need it.

12 MR. BROOKMAN: You should use it anyway
13 because we're recording this segment.

14 Report Back: Indirect Emissions

15 Bob Schenker and Lee Ann Kozak

16 MR. SCHENKER: Bob Schenker, General
17 Electric. The first issue that we dealt with here was
18 how to account for the indirect emissions of the
19 inventory and how to calculate reductions. I
20 personally have had a lot of trouble understanding this
21 issue.

22 Please, if you bear with me, I'm going to put
23 an example up here very fast. I'm going to say we've
24 got two hypothetical plants. We've got one in the west
25 with 1000 mega-watt hours. The NERC emission factor

1 for the west is 0.5 tons. So it would have 500 tons of
2 greenhouse gas emissions.

3 The same identical plant mid-continent is
4 going to have an emission factor of 0.95, would have
5 emissions of 950. You add those together, you've got
6 1450 tons of CO2 emissions.

7 That's what's going to show up in the
8 inventory when it's done the first year, in their base
9 year. We go out some time in the future, and what's
10 going to happen, we've got the same 2000 mega-watt
11 hours in the baseline, but we're now going to use the
12 average factor for the U.S., which I'm told is about
13 0.6.

14 Okay. So we're going to calculate a new
15 baseline now of 1200 tons. Let's presume that we have
16 a reduction to 1800 mega-watts. Still using the 0.6
17 factor, that's going to be 1080. The difference is 120
18 tons.

19 There is a completely different calculation
20 and accounting for the inventory that was done up here,
21 when you first established your baseline, versus the
22 accounting that you do down here to account for your
23 reduction. I have had a very hard time understanding
24 that, and hopefully I now understand it correctly.

25 There were a lot of comments in our group.

1 They were concerned, first of all, about the need for
2 more granularity in the individual regions,
3 particularly in the western region, which covers most
4 of the area, I think, west of the Mississippi. I don't
5 think it was quite that much.

6 But there was concern that there were very
7 big differences in emissions from one state to another
8 within that region. I think --

9 MR. BROOKMAN: I think that's the second
10 point.

11 MR. SCHENKER: Okay. I'll let Lee Ann talk
12 about that.

13 MR. BROOKMAN: Let Lee Ann talk about that
14 one.

15 MR. SCHENKER: There were concerns about the
16 fact that there are these different accounting systems,
17 that there certainly -- it seems to be that this
18 accounting system seems to favor one region over
19 another in how the accounting is done. But this is
20 still -- I'll tell DOE that this is still an area of
21 very large concern.

22 MR. BROOKMAN: Thank you.

23 MS. KOZAK: As Bob mentioned, there was a lot
24 of discussion about the NERC factors that are currently
25 included in the guidelines for use in calculating both

1 the emissions and the reductions. Currently in the
2 guidelines, there is a table laid out by NERC region
3 for the period -- and it's based on the period 1998 to
4 2000.

5 There was a lot of discussion about this,
6 whether this table was sufficiently current, whether it
7 would be updated each year. There was a suggestion
8 made that perhaps what the Department of Energy should
9 do is perhaps on a website or someplace, instead of
10 embedding a table in the guidelines, refer to a website
11 or something where the factors could more easily be
12 updated to reflect changes in the average emissions
13 rates or the generations from year to year.

14 I mean, as Bob mentioned, there was also the
15 question of, some of the NERC regions are very large.
16 Suggestion was made that for the U.S. as a whole
17 perhaps you would get improved inventories by breaking
18 the regions down into actually the NERC sub-regions, so
19 providing somewhat more accurate averages for use.

20 The final element in -- just related to the
21 emissions factors goes to calculations internationally.

22 Right now there really is not much in the way of
23 guidance on that. There was a suggestion made that EIA
24 should provide more guidance on how to find emissions
25 factors for calculating indirect emissions in other

1 countries.

2 MR. SCHENKER: Okay. I think the issue of
3 the indirect emissions, the position the DOE has taken
4 right now that it should include purchased electricity,
5 purchased hot water, steam, and purchased chilled
6 water, that that is what is intended to be included
7 within the inventory right now and within the
8 reductions.

9 There is an optional provision to allow
10 companies to report indirect emissions from other
11 sources, such things as employee commuting,
12 transportation of products, and so forth.

13 I think that there are companies that are in
14 unique positions to do this, to be able to register
15 emissions, if they would like to be able to get credit
16 for their reductions in that particular area. There
17 are other companies, such as myself, who are so busy
18 trying to deal with the energy issues that I just don't
19 want to deal with the rest. It's just not very
20 practical.

21 So we would like this to still stay an
22 optional program. This is my position. I think some
23 other companies would like to have the opportunity to
24 register some reductions in this particular area.

25 MS. KOZAK: The fourth area that came up for

1 discussion was the question of transmission and
2 distribution losses. Within the group, there were some
3 differing views on this. Some felt that the emissions
4 rates that the end users were applying in the inventory
5 should not include consideration of the T & D losses,
6 and there was the view that those should be accounted
7 for by the transmission and distribution suppliers.

8 Others had the view that both the generation
9 and transmission should be reflected in the emissions
10 rates for the indirect. So again, there were mixed
11 views on those.

12 MR. SCHENKER: This last one is a couple of
13 pages. I just want you to make sure you see it all
14 before you start talking about it. Obvious double-
15 counting of generation and indirect processes (off
16 mike.)

17 MS. KOZAK: The final area that received a
18 lot of discussion was just dealing with the whole
19 double-counting issue when you report indirect
20 emissions.

21 Part of the discussion was just really trying
22 to understand exactly what the guidelines said, how
23 they worked on this point, because there was a lot of
24 confusion because it is very complicated.

25 Basically, what came out of that was that in

1 terms of the inventory side, by reporting -- having the
2 generators report the direct emissions, having the
3 users report indirect, that there was clear overlap and
4 double-counting and that that was recognized that that
5 existed.

6 We did get into the discussion of reductions
7 as well in the same issue. Basically, what came out of
8 that from the explanations from the DOE people was that
9 the intent is to have the users reflect reductions
10 related to changes in their usage and not reflect the
11 reductions associated with changes in the intensity on
12 the generator side. So that calculation would be based
13 on a single emissions rate that would be used
14 consistently throughout the -- over the reporting
15 years. Multiply that then by just changes or
16 reductions in the usage.

17 On the generator side, those changes in
18 intensity would be reflected there in the calculation,
19 so that's where the changes in the intensity would be
20 picked up. It was DOE's view that by trying to --
21 using these methods and trying to apportion it that way
22 that the hope was that a lot of the double-counting and
23 the reductions would be minimized.

24 MR. BROOKMAN: Okay. Questions or comments
25 for Lee Ann and Bob?

1 (No response)

2 MR. BROOKMAN: Okay. Thank you.

3 So thanks to that round of presenters. Thank
4 you. Good job.

5 (Applause)

6 MR. BROOKMAN: Okay. So we're modifying the
7 plan for the rest of the day, and the plan will be as
8 follows. That is, we're going to go -- oh, I'm sorry.
9 I apologize. Ag and Forestry are going to present
10 next. I thought we had them all.

11 Who's next? Please, come on up here.

12 Can you see I was eager to move on.

13 MR. HOLDSWORTH: Jeez, after you kissed me
14 yesterday, too. I'm insulted.

15 (Laughter)

16 Report Back: Agricultural and Forestry Sources and
17 Sinks

18 Eric Holdsworth

19 MR. HOLDSWORTH: Eric Holdsworth, Edison
20 Electric Institute. I had attended the Ag and Forestry
21 Sources and Sink breakout session. It was the person
22 who knew the least about the issue that was deemed the
23 most qualified to give the report.

24 (Laughter)

25 MR. HOLDSWORTH: Start off with an overview

1 of some of the issues and just a few points that were
2 noted by the USDA officials. One, that there is more
3 variability in the ag and forest estimation methods
4 than in the other emission estimation methods.

5 One issue on natural disturbances. It was
6 noted that you of course can exclude those forest fires
7 and pests from registered reductions, but it was noted
8 that you would of course first need to replace the
9 carbon that was lost from that natural disturbance
10 before you could again begin reporting from those lands
11 and including them in your inventory.

12 Another point noted in the overview was that
13 the protocol being developed on the protocol -- on the
14 periodic soil sampling is still underway and will
15 follow at some point in this process.

16 Getting into the discussion, the first point
17 raised was on harvested wood products and bio-based
18 wood products, now chemical products being produced
19 from wood-based products. It was indicated that those
20 should be treated like harvested wood products and that
21 there are estimation methods -- or, there are methods
22 for estimating those -- the emissions from bio-based
23 products, but that you could also petition EIA for
24 alternative methods if you didn't feel those were
25 adequate.

1 Another issue raised was thinning and how
2 thinning was treated in the guidelines. The general
3 point noted by the USDA was that if there -- if the
4 increase in your carbon stock is greater than the
5 amount that is lost from thinning, then you would be
6 able to add that to your inventory.

7 A point was noted by participants, though,
8 that the tables only have growth factors and that we
9 need additional guidance in this area on how to treat
10 thinning.

11 One comment on an issue was how an entity
12 would be treated that might have emissions of only 100
13 tons, perhaps as an aggregator, but would be reporting
14 10,000 tons of sequestered emissions. How would they
15 be treated; as a large or a small emitter. In that
16 example, it was indicated that they should be treated
17 as a small emitter.

18 Another issue raised that generated quite a
19 bit of discussion was de minimis emissions as they
20 apply to land use and what happens if you are managing
21 lands under certified sustainable management practices
22 like the Sustainable Forestry Initiative; do you need
23 to report those. It was noted that you wouldn't -- you
24 don't have to report those, but you also wouldn't be
25 able to include those in any of the carbon stock in

1 your inventory.

2 It was also noted then by participants that
3 if you were doing something like an SFI or a
4 sustainable forestry program you'd probably have an
5 inventory and would be able to report, but the point
6 was noted that this is not altogether clear in the
7 guidelines and should probably be strengthened or made
8 clear.

9 And then, one last area that engendered quite
10 a bit of discussion was on the issue of incidental
11 lands. There are a number of subtopics here.

12 It was noted that rights of way or right of
13 ways for utilities were in part what was -- an example
14 of what was being targeted with that type of language.

15 A question was raised about leased lands, and
16 the point was made that that issue needs to be
17 addressed more in depth on the guidelines.

18 Regarding, again, rights of way, how are
19 those treated for a transmission company or a
20 transmission and distribution company. Regarding T &
21 Ds, the point was also noted that they may not need to
22 report because they may have fewer zero direct
23 emissions. They may be a small emitter or so small
24 they may not need to participate.

25 Also on the incidental lands, a question was

1 raised about wetlands and are they incidental or
2 considered to be a part of business. It was noted that
3 the emissions from wetlands, natural emissions, are
4 excluded from your inventories. And then it was noted
5 that, really, we needed to have some more definition on
6 incidental lands, a more precise definition of how to
7 treat that in the guidelines.

8 The last point noted was that the Comet Model
9 that is currently available on the USDA website and
10 that the Coal Model is being revised and will be ready
11 at some point in the process.

12 MR. BROOKMAN: Thank you, Eric. Thanks very
13 much. Thanks to Eric.

14 (Applause)

15 MR. BROOKMAN: So, huge variability. Huge
16 spread among all these different sectors that were
17 reported on. I think we captured perhaps half of those
18 report backs on tape. We had note-takers for the
19 others, so that will be guidance for the Department.

20 MR. FRIEDRICHS: Yes, I think we got it all
21 on tape, and the reporter has been working for some
22 time.

23 MR. BROOKMAN: Great.

24 MR. FRIEDRICHS: So we should have a good
25 transcript of it.

1 But I think I should re-emphasize at this
2 point even though you might have felt that your point
3 was made here this morning, make it again in writing as
4 part of your written comments.

5 MR. BROOKMAN: Thank you.

6 So here's the plan for the rest of the day
7 that I would propose. My apologies for jumping on --
8 or, I should say stepping on the Agricultural and
9 Forestry Sources and Sinks report.

10 What we had planned to do and the last
11 substantive element that needs to be presented is that
12 Mark will go next and provide an Overview of Emissions
13 Reductions.

14 Following that, we will begin with the
15 substantive elements you see in the agenda on page 2 at
16 the bottom half of the page. That is, emissions
17 intensity, avoided emissions and emissions intensity
18 for energy generators, changes in carbon stocks,
19 absolute emissions reductions, cogeneration
20 transmission and distribution, and action-specific
21 methods.

22 If I calculated correctly, we should be able
23 to spend in the range of about 20 minutes on each of
24 those subject matters, if we need 20 minutes on each of
25 them. It may be that they won't be evenly balanced

1 out. Some will take more time than others. But in the
2 range of 20, 25 minutes on each.

3 We will take a break mid-morning, around
4 about 10:15 I figure. That's what I'm proposing as the
5 plan. We will end today at 1:00, okay? Yes? Okay.

6 So then, let's then proceed. Mark, are you
7 ready to go with your overview?

8 MR. FRIEDRICHS: Sure. Just a note on the
9 breakout session topic areas. We are likely to
10 rearrange those just a little bit to make the sequence
11 a little bit more logical.

12 MR. BROOKMAN: One or two other housekeeping
13 items that I would say. The participant list will be
14 posted on the Web, I'm told --

15 MR. FRIEDRICHS: Yes.

16 MR. BROOKMAN: -- by the end of the week.
17 Also, the slides from the presentations will also be
18 posted on the Web, for those of you that didn't hear
19 that yesterday.

20 So then, you have the floor.

21 MR. FRIEDRICHS: Great. Thanks.

22 Overview of Emissions Reductions

23 Mark Friedrichs

24 (PowerPoint presentation)

25 MR. FRIEDRICHS: I'm going to try to go

1 through this fairly quickly because we have a lot to
2 cover this morning. We are finally going to talk
3 directly about reductions, although it has seemed for
4 the last day that a lot of people wanted to talk about
5 reductions all the time. They see it as, certainly,
6 one of the most important elements of the program. So
7 I'm going to go over some ground that we touched on
8 yesterday but perhaps in a little bit more detail.

9 We have identified in our technical
10 guidelines five basic categories of emission reduction
11 calculations: emissions intensity, absolute emissions,
12 changes in carbon stocks, changes in avoided emissions,
13 and action-specific.

14 Sometimes those categories are seen as
15 options, but I think it's better to view them generally
16 as different methods for calculating different types of
17 reductions, for the most part. For most large
18 emitters, even many small emitters, the two primary
19 methods for calculating reductions will be either
20 emissions intensity or absolute reductions. Whether or
21 not you use one or the other is going to depend a lot
22 on your own operations.

23 If you have a good output measure that
24 enables you to create an emissions intensity metric,
25 that's going to be the preferred course. It will give

1 you the maximum amount of registered reductions, most
2 likely.

3 However, that's a complicated process,
4 especially for manufacturers that have multiple
5 products that change, and those manufacturers may well
6 find it easier to use an absolute reduction method with
7 the qualifier that they're going to have to demonstrate
8 that their output is increasing, or at least not
9 declining.

10 If you have changes in carbon stocks that you
11 want to report, that's a separate calculation method.
12 If you are a power generator or an energy generator
13 that exports electricity, steam, hot or chilled water,
14 you're going to have to go to the avoided emissions and
15 the integrated method for energy generators to
16 calculate the reductions associated with those energy
17 exports.

18 Finally, there are a number of special
19 circumstances where action-specific methods just have
20 to be used. And for those who aren't interested in
21 registering, we think we're going to have a generic
22 action-specific methodology which should enable you to
23 continue to report a wide range of projects.

24 The important thing to keep in mind is that
25 for each different calculation method, each different

1 emissions intensity metric that you use, if you are
2 using emissions intensity calculations, or if you are
3 using emissions intensity and changes in carbon stocks
4 or you have specific projects that you want to report,
5 each of those calculations is going to have to be done
6 in a construct that we call a subentity.

7 That subentity can represent a large part of
8 your operations. It can be multiple divisions. But it
9 simply is a construct that represents all of the
10 emissions and activity encompassed by the specific
11 calculation method for those activities.

12 Just to make sure that everyone has this
13 concept in mind, some business lines may use changes in
14 absolute emissions, while others may use one or more
15 intensity metrics. For a possible manufacturer, you
16 might have four different subentities, one using
17 emissions intensity for one product, one using absolute
18 emissions for another division or multiple divisions, a
19 third representing the carbon stock changes on forest
20 lands owned by that entity, and a fourth, possibly
21 action-specific methods.

22 It's also possible that you have some part of
23 your entity that for one of several different reasons
24 you simply cannot assess the changes. Perhaps it's
25 declining output and you don't have any good intensity

1 metric and you can't use absolute and the project-
2 specific methods just don't apply.

3 So we did envision the possibility that your
4 entity-wide assessment of year-to-year changes in your
5 emissions simply doesn't cover all of your emissions
6 because part of your emissions are not feasible to
7 assess.

8 Why don't I actually pause at this moment and
9 see if we have any comments or questions regarding this
10 aspect of the emission calculation methods.

11 MR. BROOKMAN: Let's start over here with
12 this gentleman, and then to Punkaj.

13 Yes. Please say your name for the record.

14 MR. SKERNOLIS: Yes. Ed Skernolis with Waste
15 Management, Incorporated. I'm curious as to why
16 avoided emissions are limited to electricity usage.

17 We have an operation with several subentities
18 as you would call them where we have stationary sources
19 of emissions and also 30,000 diesel trucks and 6- or
20 800 decentralized locations. It occurs to me that one
21 of the things we would consider in looking at how to
22 calculate emissions reductions that we might obtain
23 from the diesel fleet, that the easiest thing would be
24 to report avoided emissions through use of alternative
25 fuels or voluntary changes, using hybrid diesels for

1 example to lower fuel usage and emissions rates.

2 Because otherwise, in order to do something
3 like intensity, it might be very, very difficult.

4 Absolute emissions might be difficult as well because
5 our business vehicle miles might go up and down. It's
6 a function of the business. It's not a function of --

7 MR. FRIEDRICHS: I'm not sure why that's not
8 a direct decline in your emissions. I guess --

9 MR. SKERNOLIS: Because if our business grows
10 by 10 percent but we avoid emissions by 10 percent, we
11 have nothing to report. Our absolute emissions would
12 be the same.

13 MR. FRIEDRICHS: I see. So because you don't
14 have an emissions intensity metric of some kind --

15 MR. SKERNOLIS: That's right. Doing an
16 intensity metric for a fleet of diesel trucks I think
17 would be very, very difficult, unless you had a huge
18 amount of information, which would cost a fortune to
19 compile. I think it might be a lot easier -- we can
20 calculate things like even instituting routing systems
21 that reduce vehicle fuel usage by 10 percent.

22 MR. FRIEDRICHS: I think what you're talking
23 about is not so much avoided emissions but a kind of
24 project-specific recognition in circumstances like that
25 where you have a segment of your company that has no

1 effective measure of output that you can use to create
2 an emissions intensity metric.

3 But you would be penalized in this case
4 because it's growing. You're taking action to try to
5 minimize that growth.

6 MR. SKERNOLIS: Right.

7 MR. FRIEDRICHS: But without an emissions
8 intensity metric, you have no way of reporting it.

9 MR. SKERNOLIS: Right. That's what I'm
10 saying. It occurred to me that maybe the easiest thing
11 for us to report would be avoided emissions in those
12 circumstances rather than intensity or absolute in
13 order to get some credit for it.

14 MR. FRIEDRICHS: Right. I think it's just a
15 question of terminology, but I think what you're really
16 urging for us to do is to try to accommodate situations
17 like that with certain types of project-specific
18 emission reductions, where you're taking actions in a
19 particular area that you have difficulty representing
20 using an emissions intensity metric.

21 MR. BROOKMAN: Pankaj, and then I'm coming
22 back to Paula.

23 MR. BHATIA: Pankaj from WRI. I'll try to be
24 quick. I have a couple of general observations.

25 On the reductions accounting side of the new

1 guidelines, yesterday WRI shared some comments on the
2 entity side and we expressed our sense of satisfaction
3 and appreciation with regard to some of the
4 improvements while making a note that we still have
5 some concerns about the way entity is defined and the
6 possibility of cherry-picking.

7 But still, I think in our assessment we felt
8 that 1605(b) on the entity accounting side has made
9 some significant improvements.

10 Now, today we are discussing about the
11 reductions accounts. There, we actually have a
12 different view than what was expressed yesterday. We
13 still have some very serious concerns, and those
14 concerns are rooted not only on the technical side but
15 also on the basic political decision that was taken.

16 I know this is not the forum and where we can
17 actually think about that. Still, I think we should
18 all recognize that if the purpose of 1605(b) guidelines
19 or the purpose of the new revised guidelines was to
20 protect the climate, then through this new reduction
21 accounting system, we should all recognize that this
22 purpose will not be served.

23 I just want you to make a note on this
24 because it's a very important point that we should all
25 remember. Unless we achieve real and absolute

1 emissions reductions which are additional to what would
2 have happened otherwise, we are not going to make any
3 effect on the climate system.

4 Now, in addition to that -- I know we cannot
5 address that point here, but in addition to that, we
6 think that there are some serious flaws on the
7 technical side in the way the concepts are defined and
8 the way concepts are supposed to work together. Those
9 technical issues, I think, and details we will provide
10 in our feedback in our written comments, but I just
11 want to give one example, which is on the avoided
12 emissions.

13 The text itself, on page 243 of the technical
14 guidelines, the way avoided emissions are described on
15 page 243, it describes this concept in terms of what
16 would have happened otherwise. Now, as soon as you
17 talk about what would have happened otherwise, it's an
18 issue of a hypothetical baseline. It is not an issue
19 of a historical baseline.

20 So there is a technical difference between a
21 historical baseline and a hypothetical baseline, but I
22 don't think that in the methodologies that are provided
23 to quantify avoided emissions this concept is
24 recognized.

25 This came up yesterday also in the

1 quantification of indirect reductions. We have to
2 think about how to complete this concept in terms of
3 the kind of guidelines needed in selecting proper
4 baseline and ensuring that additionally these are
5 addressed. So this is on the technical side.

6 Thank you.

7 MR. BROOKMAN: So you will provide detailed
8 comments, written comments, on these matters to the
9 Department?

10 MR. BHATIA: Sure.

11 MR. BROOKMAN: That will be helpful.

12 Paula, you're next, and then to Eric.

13 MS. DiPERNA: Thank you. This is just a
14 small wordsmithing point. If I'm correct, there's
15 reporting, small R, in order to register. Then there's
16 Reporting, capital R, if you don't want to go through
17 the registration process. Am I right on that?

18 In other words, reporting with the purpose of
19 registration is essentially submitting data for the
20 purpose of registering. Then there's reporting where
21 you may just leave it at that based on prior to 2002
22 and any other methods you may have used up to that
23 point, which can include absolute and/or intensity.

24 MR. FRIEDRICHS: Yes. You have considerably
25 more flexibility if you don't intend to register.

1 MR. BROOKMAN: So that's a shorthand
2 characterization.

3 Eric.

4 MR. HOLDSWORTH: Eric Holdsworth, Edison
5 Electric Institute. On the previous slide where you
6 had the examples of the four companies, if you could
7 pull that back up? Yes.

8 MR. FRIEDRICHS: Actually, one company with
9 four different entities.

10 MR. HOLDSWORTH: My question was on Subentity
11 B. It produced a growing subentity. I'm just curious
12 why they would choose absolute emissions. I would
13 think that would not be a good metric for them.

14 MR. FRIEDRICHS: In this case, because
15 they're producing multiple products, they may not have
16 a good output metric. That was my reasoning in this
17 case. They may -- you need a single output metric to
18 represent intensity, usually. Sometimes you can use an
19 economic measure, but in this case I'm speculating that
20 they didn't have a good output measure.

21 MR. BROOKMAN: Bob Schenker, and then to
22 Bill.

23 MR. SCHENKER: Bob Schenker, GE. I just have
24 a question. You talked about very large organizations
25 that may have subentities where Subentity A might

1 choose to take an intensity approach and Subentity B
2 might choose to take an absolute approach. How do you
3 take these apples-and-oranges reduction approaches and
4 put them together to come up with an overall entity-
5 wide reduction? I don't understand how to do that.

6 MR. FRIEDRICHS: Each of the entities results
7 in a calculation of reductions which would be
8 recognized as legitimate under the program. The
9 absolute emission reductions and the intensity emission
10 reductions are both pretty closely related, but the
11 absolute emission reductions, as I think came out
12 yesterday, is always a conservative estimate, actually,
13 of the decline in emissions intensity.

14 So it's actually equal or lower than an
15 intensity value but is used to simplify the reporting
16 process and in cases where there isn't a good emissions
17 intensity metric.

18 The other reductions, carbon -- well, in
19 particular changes in carbon stock, are kind of a
20 unique set of circumstances that yield their own
21 reductions.

22 Avoided emissions and the integrated method
23 for energy generators is also derived from emissions
24 intensity. So it has a common root.

25 Finally, the action-specific methods also for

1 the most part are rooted in declines of emissions
2 intensity, although for a couple of cases there are
3 some special rules.

4 MR. SCHENKER: Bob Schenker, GE, again if I
5 may. Do we have to take -- if we've got a bunch of
6 different methods that we're using, do we need to
7 combine them and come up with an entity-wide reduction
8 number or can we in effect account for each of these
9 separately and have, you know, so many tons intensity
10 reduction, so many tons absolute reduction, so many
11 tons sequestration, or do we have to add this all
12 together? If we do have to add it all together, how do
13 we do that?

14 MR. FRIEDRICHS: We're treating these
15 reductions from each of these separate calculations as,
16 you know, essentially equivalent. But you need to
17 demonstrate that the entity as a whole has achieved a
18 net reduction in order to register a reduction.

19 So you have to -- it's conceivable, for
20 example, that one subentity might actually experience
21 an increase in emissions and another a decline.

22 I should perhaps step back and say that this
23 whole methodology is designed to achieve a single
24 objective, and that is to permit entities to calculate
25 their entity-wide emission reductions in a way that is

1 generally consistent with the president's objective of
2 demonstrating reductions in emissions intensity. The
3 complications of this methodology all originate with
4 that single objective.

5 MR. SCHENKER: Basically, I'm asking for
6 guidance as to how to pull that together into a single
7 number. I believe it would be very helpful if DOE
8 would provide that guidance.

9 MR. BROOKMAN: So Bob Schenker requests
10 additional guidance. I'm not sure he'll get it today.

11 MR. FRIEDRICHS: Yes. I'm not sure of the
12 complication on -- we're just doing a net of all of the
13 reductions that are derived for each calculation
14 method.

15 MR. SCHENKER: How do I add one ton per
16 million dollars of revenue over here to two tons over
17 here? How do I add them together?

18 MR. FRIEDRICHS: The calculation always is in
19 tons of CO2 equivalent. That's the result of each
20 calculation method.

21 MR. BROOKMAN: Hang on, Bob. Several other
22 people are in the queue.

23 Dave Conover.

24 That last exchange was between Bob and Mark.

25 Go ahead, Dave Conover.

1 MR. CONOVER: Maybe we're too close to it up
2 here, and I'm sure we are, but once you have -- the
3 difficult part of this exercise is getting the data and
4 doing the subentity calculations. But once you have an
5 intensity reduction for a subentity and an absolute
6 reduction for a different subentity and an intensity
7 reduction for the third subentity, it's just math.

8 You just come up with the tons that result
9 from the calculation of your intensity reduction versus
10 your metric for output in year two versus year one.
11 You get an absolute number of tons reduced, and then
12 you just add that to the other subentities' tons
13 reduced, and so on and so on.

14 So you posited, well, once I report all this
15 stuff, do we have to sum it up. Well, in our view,
16 yes, but really that step in the process is a simple
17 step compared to all the stuff that went before to get
18 you to that step. Is that clear?

19 I mean, it's just -- you end up with tons
20 whether you do an intensity metric or absolute
21 emissions reductions. Then, when you have those tons,
22 they're apples, and you're just adding apples.

23 MR. BROOKMAN: Do you want to supplement Ray?
24 Come to the microphone.

25 MR. PRINCE: I just want to point out that

1 the equations for non-energy generators are on page 254
2 and 256. Whether you use the intensity or absolute
3 approach, you end up with the same R, which is tons of
4 emissions. And then you just add them up.

5 If you're an energy generator, the equations
6 are on 272 of the technical guidelines, but again, you
7 end up with a single amount of tons. If you have
8 several subentities, you could just add up all the Rs.

9 MR. BROOKMAN: So that was Ray Prince. Bill
10 is next in the queue. Jim -- I'm going to let Jim
11 follow on. Jim, your comment relates to Bob's first
12 comment, I believe, yes? Then I'm coming to you, Bill.
13 Then to Miriam, and then over to Dave.

14 MR. KEATING: Jim Keating, BP. Mark, I'm
15 just trying to get my head around what the reporting
16 would look like.

17 MR. FRIEDRICHS: Yes.

18 MR. KEATING: So what you're saying is that
19 on a subentity basis if I had -- let's look at just the
20 refining sector of my company. So I've got five
21 refineries in the U.S. One refinery may have a cogen,
22 so I'd be reporting either a combination of metric and
23 avoided for the cogen. I may have some operating units
24 where I'm either going to be reporting on a metric or
25 actual emissions. I may also have a chemical unit at

1 that refinery within the boundaries. So I'll be
2 reporting on the different metrics.

3 So I could theoretically have maybe five
4 subentities for that one facility. Would I then
5 combine those with other similar defined subentities at
6 different facilities or would I keep these all
7 independent subentities?

8 MR. FRIEDRICHS: You have a lot of different
9 options, essentially. What choices you make really
10 depend on the characteristics of your operation. The
11 cogen facility, for example, is really only addressed
12 separately if it exports electricity to the grid. If
13 all the electricity is used in your own facility and
14 the associated heat, then it's just treated as part of
15 the facility.

16 You could combine all your refineries and use
17 a single output metric. In the case of refineries, we
18 recognize that that output metric might be an input
19 metric, meaning barrels of crude oil processed, and use
20 that as a single measure of intensity for all of your
21 refinery operations.

22 Or, you could separate out elements if you
23 felt that that was a more appropriate way of
24 representing the changes in emissions for your
25 activities.

1 So this really does call for large,
2 complicated manufacturing companies to go through a
3 thinking process of how best to represent their
4 activities and where they can use emissions intensity
5 metrics and where they might prefer to use an absolute
6 measure. And to the extent that they have special
7 circumstances, such as forest lands, action-specific
8 reductions that require separate entities, exported
9 electricity.

10 MR. KEATING: Right. So that the dividing
11 line is not necessarily the operational management or
12 ownership boundary, it's the process.

13 MR. FRIEDRICHS: That's -- exactly.

14 MR. KEATING: It could be.

15 MR. FRIEDRICHS: You have a considerable
16 flexibility to define whether or not that subentity
17 represents 90 percent of your activities because it all
18 results in the support for a comparable product, or
19 perhaps you're representing 90 percent of your
20 activities using an absolute emission reduction metric
21 or calculation. But you get to make that choice.

22 MR. KEATING: Okay. Thank you.

23 MR. BROOKMAN: So that was Jim Keating again
24 with an exchange with Mark Friedrichs.

25 Bill is next in the queue. I think we're

1 gaining traction here. I think we are.

2 MR. FRIEDRICHS: It's complicated.

3 MR. BROOKMAN: So that we continue to gain
4 traction, I'd ask that everybody that speaks now try
5 and be as concise as possible.

6 Bill first, then Miriam, then David.

7 MR. NICHOLSON: Bill Nicholson, AF and PA. I
8 have two questions, quite different. The first has to
9 do with the selection of absolute versus intensity
10 emissions. And in the intensity case, where you have
11 widely varying product lines -- let me give you an
12 example.

13 I'm in the carrot and petroleum business.
14 Carrots have been very stable in price, and everybody
15 knows what petroleum has done.

16 Yesterday, we had an example of, well, you
17 put a deflator in. I understand it's even used in
18 other countries. But if you put in a common deflator,
19 what happens to the quality of your estimate? I would
20 contend that it goes to pot.

21 MR. FRIEDRICHS: Emission intensity metrics
22 represent a difficult choice for companies how best to
23 represent their activity and the changes in that
24 activity year to year. Economic measures can be used,
25 but it's generally felt that physical measures are

1 preferable. That's indicated in our guidance.

2 MR. NICHOLSON: The second question has to do
3 with avoided emissions and choices that entities can
4 make. I'll use the example of recycling.

5 One can choose, perhaps, to spend a great
6 deal of effort and use more covered and recycled
7 material in your products. In essence, you are
8 avoiding using basic raw material. Is that an avoided
9 emission? It certainly sounds like it to me.

10 MR. FRIEDRICHS: That's actually a reduction
11 in indirect emissions probably, but indirect emissions
12 not covered by your entity-wide report.

13 MR. BROOKMAN: And provide the logic. Why
14 would it be that?

15 MR. FRIEDRICHS: Of course, there are a
16 variety of different circumstances involving recycled
17 materials. Sometimes the purchase of recycled
18 materials may reduce your own process emissions because
19 they require less processing.

20 But in other cases, you're really reducing
21 the emissions of the material processor who you
22 previously purchased your raw materials from. So in
23 that case, the purchase of recycling materials is
24 contributing to emission reductions elsewhere. Right
25 now, that's not included under the entity-wide emission

1 reduction requirement or guidelines.

2 MR. NICHOLSON: Therefore, the system does
3 not provide an incentive to do this good thing.

4 MR. FRIEDRICHS: Yes. We haven't figured out
5 a way of trying to provide an incentive to do that good
6 thing, that's right. We welcome suggestions.

7 MR. BROOKMAN: Miriam.

8 I think these examples are very useful. I
9 want to make certain that in spending our time on the
10 examples that we don't obviate the opportunity for
11 people to make comments that will improve the
12 Department's thinking on this subject.

13 Miriam.

14 MS. LEV-ON: Miriam Lev-On on behalf of API.

15 I have two questions, one that has to do with the
16 treatment of output. If I understand it correctly, if
17 you want to report on the absolute emission -- under
18 the absolute emission methodology, you cannot report
19 reductions if there was a change in output or a
20 reduction in output.

21 MR. FRIEDRICHS: Decline.

22 MS. LEV-ON: Is this correct even if you
23 adjust the baseline to reflect -- let's say you sold a
24 part of your business. You know, there was a
25 divestiture and acquisition and you made the change in

1 the baseline. Would you then be able to --

2 MR. FRIEDRICHS: Yes, you can take that out
3 of your baseline and then report absolute emission
4 reductions as long as what you're reporting on
5 experienced an increase in output, right.

6 MS. LEV-ON: Okay. The second part of this
7 is as far as the intensity measure. The intensity
8 measure allows you to avoid this kind of normal
9 variation or fluctuations in output early. So like, if
10 you had a downturn in your business or if you produce
11 less oil in one year, you can still use the intensity
12 measure to reflect your emission reductions; is this
13 correct?

14 MR. FRIEDRICHS: That's correct.

15 MS. LEV-ON: Okay. So that the output is not
16 going to enter into -- it will enter into the
17 denominator for the --

18 MR. FRIEDRICHS: Right, exactly.

19 MS. LEV-ON: Okay.

20 MR. FRIEDRICHS: So if you experience a
21 decline in your using emissions intensity metric, you
22 can continue to use that and demonstrate emission
23 reduction. Within an intensity metric you can
24 demonstrate reductions even -- obviously even if your
25 emissions are increasing if your output is increasing

1 more. You can --

2 MS. LEV-ON: Well, unfortunately, we have a
3 different situation, like in the Texas oil fields that
4 are being depleted. In order to be able to produce now
5 more, you need a lot more energy and a lot more water
6 in order to be able to really flush this oil. But
7 that's a separate discussion.

8 On the sequestration part, you address
9 sequestration only in terms of carbon stock for
10 forestry and soils, but there is nothing there about
11 engineered sequestration, how you demonstrate reduction
12 that is associated with carbon capture.

13 MR. FRIEDRICHS: We have an action-specific
14 measure for -- but we realized that what's in the
15 inventory and action-specific guidance is -- needs
16 work. This came up in one of our sessions yesterday.
17 We really welcome advice on how to improve the
18 guidelines both on the inventory side and the reduction
19 side. But we are intent on trying to include geologic
20 sequestration in an appropriate way.

21 MR. BROOKMAN: Just a process now. We're
22 going to take a break in about 10 minutes, folks. Dave
23 is next in the queue.

24 MR. CONOVER: I just want to make --

25 MR. BROOKMAN: Please. Dave Conover is

1 first, and then you.

2 MR. CONOVER: Could you just explain what you
3 meant about --

4 MS. LEV-ON: Well, just the examples that you
5 gave in the slide was just that you addressed emission
6 reduction for sequestration just from change in carbon
7 stock. I wanted to make sure that we don't lose sight
8 of the geologic storage.

9 MR. CONOVER: Yes, we have a whole part in
10 the technical guidelines on geologic.

11 MS. LEV-ON: Yes, I recognize that.

12 MR. CONOVER: We're not ignoring geologic.
13 Okay.

14 MS. LEV-ON: So that can be treated as a
15 special project or a specific action.

16 MR. CONOVER: That's right.

17 MS. LEV-ON: Okay. Thank you very much.

18 MR. BROOKMAN: So that was Miriam finishing
19 up there. Now Dave.

20 MR. FINNEGAN: Dave Finnegan, Mayer, Brown,
21 Rowe & Maw. I don't want to belabor this, but I think
22 that you do have a problem with the definition that
23 you're using because the --

24 MR. BROOKMAN: On page?

25 MR. FINNEGAN: On page 15183. You're using

1 -- you're defining entity as meaning a whole or a
2 part of any business institution, organization, and so
3 forth, or household. Then you go to subentity, which
4 is using that same term again, "entity," and you've
5 defined the entity as being, one, recognized under law.

6 So the subentity has got to be one recognized
7 under law. Then you're trying to apply it down to a
8 vehicle of source so to speak and so forth. It seems
9 to me that there is a problem with the definition.
10 Again, I don't want to belabor it.

11 MR. BROOKMAN: Thank you. So I'm certain the
12 Department would welcome your thoughts on how that
13 could be recharacterized.

14 MR. FRIEDRICHS: Frankly, I can't remember
15 why we had "or part" in that definition. That seems
16 like an error. But anyway --

17 MR. FINNEGAN: It's not just the part. It's
18 just referring to the word "entity." You're using the
19 same term that you've defined as a legal entity.

20 MR. FRIEDRICHS: Right.

21 MR. BROOKMAN: Jim Haven, and then Hunter,
22 and then Lee Ann, and then Paula and Robert, in that
23 order, as briefly as possible.

24 Jim Haven.

25 MR. HAVEN: Did I hear you say that if I have

1 my emissions each year for the last two years are
2 reducing and I register those, and the third year my
3 production drops but my intensity has gone in the wrong
4 direction, I don't have a reduction. Can I still
5 register that?

6 MR. FRIEDRICHS: I'm sorry. You're using an
7 emissions intensity metric?

8 MR. HAVEN: Right.

9 MR. FRIEDRICHS: Right. Yes, you can
10 register any time when you experience a decline in your
11 emissions intensity. In a particular year where you
12 experience an increase in emissions intensity, you
13 can't register a reduction but you report that. Once
14 your emissions intensity again declines below the
15 previous level, then you'd be able to register
16 additional reductions.

17 MR. HAVEN: Okay. So again, jump between
18 registering and reporting.

19 MR. FRIEDRICHS: No. You would continue to
20 be in the registration system.

21 MR. HAVEN: Okay.

22 MR. FRIEDRICHS: Because you had submitted a
23 report that was -- you simply wouldn't be able to
24 register tons in a particular year.

25 MR. BROOKMAN: Hunter, and then back to Lee

1 Ann.

2 MR. PRILLAMAN: Just real quick, following up
3 on the question before about adjusting your baseline if
4 you're doing absolute emissions. You may also need to
5 do that if you're using intensity if the nature of your
6 output changes. If you drop a product line or change
7 something like that, you might have to do the same
8 thing on that side.

9 MR. FRIEDRICHS: That's exactly right, and
10 the guidelines specify that.

11 MR. PRILLAMAN: Also, following up on the
12 last question, I don't think the guidelines are clear
13 enough on what you do if you've been registering
14 reductions and then you have a year when you don't have
15 any reductions. What the requirements are in terms of
16 reporting in that situation isn't really spelled out.

17 MR. FRIEDRICHS: Okay. We will try to do
18 better. We do try to indicate that that increase needs
19 to be offset before further reductions can be -- but
20 that the entity needs to continue to report.

21 MR. BROOKMAN: Lee Ann.

22 MS. KOZAK: I wanted to switch to the topic
23 of the action-specific or project-based emissions. The
24 guidelines do indicate that in some circumstances
25 project-based calculations can be used and can be

1 registered. But it seems to indicate that in other
2 instances they cannot.

3 I find that a bit confusing. It seems that
4 if the method is sufficiently credible to be able to be
5 registered sometimes, that it should be sufficiently
6 credible to be registered all the time.

7 I mean, when you look at what's going on in
8 the emissions markets now, most of what's being traded
9 are project-based reductions. I mean, so there is some
10 history there that these methods are credible and it
11 seems that you should be able to register all project-
12 based reductions.

13 MR. CONOVER: If you don't mind, let me
14 address this.

15 MR. BROOKMAN: Dave Conover.

16 MR. CONOVER: This was a -- because of what
17 you just said, that most of the rest of the market is
18 in projects and of course most of the reports under the
19 '94 guidelines were projects, this was an issue that
20 was directly joined at the deputy principals' level in
21 the interagency process. There was a clear decision
22 made that a project absent a net entity-wide emissions
23 reduction, i.e. if you have a project but your net
24 entity-wide reductions are -- your entity-wide
25 emissions don't go down, that doesn't count. That was

1 the decision made by the policymakers.

2 That doesn't mean that people shouldn't, you
3 know, comment that they don't like it and explain why
4 it's a wrong decision and all that, but it was a
5 conscious choice in this process.

6 However, the -- because of the importance of
7 these individual projects and because we want to
8 continue to encourage individual projects, we wanted to
9 get an action-specific or project-based method into the
10 guidelines. It says that if you can't use intensity
11 methods, which is really, I think, what Ed's point was
12 earlier, for a particular activity and you have a
13 project, then you can use the project for the action-
14 specific methodology. You just have to continue to
15 report on an entity-wide basis, and you need to show
16 that as an entity your emissions went down.

17 So we tried to go right down the middle on
18 this issue, but there was a conscious decision made
19 that you can't register reductions. Of course you can
20 still report them, but you can't register reductions
21 associated with projects if your net entity-wide
22 emissions don't go down.

23 MR. BROOKMAN: I think Paula is next.

24 MS. DiPERNA: Yes. This may be moot. In
25 view of the conversation about apples and oranges and

1 absolute versus intensity and so on, it might be useful
2 to have the definition of absolute in the document.
3 There is a definition of emissions in the E section,
4 but since you have fugitive and intensity and so on,
5 you might want to move that over to A and call it
6 Absolute Emissions so people can track what's what.

7 MR. BROOKMAN: Okay. Bob?

8 MR. FRIEDRICHS: Okay. Thanks.

9 MR. BROOKMAN: Bob.

10 MR. SCHENKER: Bob Schenker, General
11 Electric. There's been a lot of talk about intensity
12 measures. It can be very difficult to come up with a
13 denominator, a normalizing denominator.

14 Just some examples in our case. We've got
15 one plant that manufactures locomotive-powered wheels
16 for mining trucks, drives for mass transit vehicles,
17 and gear boxes for windmills. Made at the same plant,
18 okay.

19 So in effect, I would have to try to come up
20 with an intensity factor for parts of plants. Then if
21 I tried to come up with an intensity factor across the
22 board, you know, I've got locomotives, I've got jet
23 engines, I've got plastics, I've got refrigerators.
24 There really is no single physical-based intensity
25 measure that we can use within General Electric.

1 I know in the guidelines it says that there
2 is a great preference to use physical measures. It
3 just does not work for GE. We've chosen to go to a
4 financial measure. We are taking a look at dollars of
5 revenue.

6 One of the advantages of doing that is that
7 our dollars of revenue are stated in our annual report.

8 It's a transparent number that people can easily see.

9 When you start going into a widget-based intensity or
10 physical-based intensity, and particularly going into
11 details in subentities, you start talking about
12 reporting production information that becomes business
13 information that the company really doesn't want to
14 present, depending on how far you go with the
15 granularity.

16 So I just wanted to make a comment here that
17 I believe that DOE's preference for a physical-based
18 intensity is really not realistic for most of American
19 industry, is my belief. Certainly we have far
20 abandoned it.

21 MR. BROOKMAN: Thank you.

22 Ray Prince.

23 MR. PRINCE: I'm the economist in the group.
24 You know, you have to have one of each kind.

25 I have to agree with Bob that I think the

1 economic measurement could be quite valuable to people.

2 Remember that if you use an economic value of output,
3 you don't have to bother with subentities, because you
4 have a common denominator to measure everything and you
5 avoid the problem, as he also pointed out, of divulging
6 more information maybe than your corporation cares to.

7 I have to think about it some more. Maybe
8 for landfills there might be an economic measurement
9 that could allow you to use intensity measures, but I
10 have to think about that a little bit more. I got my
11 plug in.

12 MR. BROOKMAN: Let's take one or two more
13 comments and then we're going to take a break.

14 Do you want to follow on to what --

15 MR. FRIEDRICHS: The non-economist will have
16 to make a comment, and that is that we have looked at
17 what various economic measures do as emissions
18 intensity metrics over time. Economic measures also
19 vary in unpredictable ways which significantly
20 complicate and sometimes distort the bottom line. So
21 there is no perfect choice here.

22 Unfortunately, we've got a very broad
23 spectrum of entities that we're trying to accommodate,
24 and we have some -- the electric power industry is a
25 good example -- where we have a very clear physical

1 output metric that is a great indicator. That's true
2 for a few other industries that focus on products,
3 commodities. But GE is sort of the problem child of
4 emissions intensity.

5 (Laughter)

6 MR. BROOKMAN: And on that note, we'll go to
7 break. Let's go to break, but as I scan through -- one
8 more thing. As I scan through what we had slated that
9 we would cover today, we're kind of bouncing around a
10 lot. Mark's got some additional slides to report on.

11 I want to make sure we get to all of the
12 items on the agenda for today by the time we leave here
13 at 1:00. So it's now almost 10 after 10:00. We'll
14 resume -- that is, we'll start back at 10:25. Thanks
15 for a good start.

16 (Brief recess)

17 MR. BROOKMAN: Okay. Let's get started. So
18 here's our plan to start: that Mark Friedrichs is
19 going to finish presenting his slides. A few
20 individuals have indicated to me they have specific
21 questions. A few individuals have also mentioned that
22 they're -- because of their schedules, they want to try
23 and get certain topics covered fairly quickly here. So
24 we're going to try and have some discipline about
25 content followed by comment and specific questions.

1 Mark, you're on.

2 MR. FRIEDRICH: A couple of general
3 questions that have come up and which I want to try to
4 clarify. One, subentity, a term that is used
5 throughout, does not have any requirement that it have
6 -- there is no requirement that a subentity have a
7 legal basis. It is something that is defined at the
8 convenience of the reporter to represent an activity
9 that's best addressed by a single emission reduction
10 calculation.

11 I think the terminology is -- the word
12 "subentity" as opposed to "entity" is a bit confusing,
13 and we'll try to clarify that in the guidelines.

14 Another issue, a broad issue, that was raised
15 is, can entities choose which emission reduction
16 calculation method they use year to year to year. In
17 other words, can they change it from year to year. The
18 answer is no. When you start reporting, you select an
19 emission reduction method for your entity, your
20 subentities, and you stick with that method.

21 If you needed to make a change for one reason
22 or another, you'd have to go back and redo your reports
23 from the time you started, or you'd have to start at
24 the beginning again essentially. So those two general
25 points.

1 Finally, a comment. We've gotten a lot of
2 questions on specific emission reduction calculation
3 methods. We're going to try to cover each of the
4 reduction calculation methods in a little bit more
5 detail. So if you kind of hold off on those specific
6 questions, I still have a few general slides and I'm
7 going to entertain some more discussions on the kind of
8 broad concepts involved.

9 But then we're going to move into a
10 discussion of the specific measures, starting with
11 emissions intensity, then absolute emissions, and then
12 the others, okay?

13 These are just a few general points to keep
14 in mind. An entity's emissions must equal the sum of
15 its subentity emissions. We always want the sum of the
16 parts to equal the whole. Changes to how you're
17 defining -- to let's say the output of a subentity need
18 to be described if they occur year to year.

19 There must be a base period specified for
20 each subentity or each calculation method. Although
21 the start year is the same -- in other words, the last
22 year of your base period -- it is possible for you to
23 have a base period for one calculation method that is
24 one year and a base period for another calculation
25 that's two years, or three, or up to four. So each

1 base period can vary slightly, although they should all
2 end with the start year of reporting.

3 Here's a slide just reviewing some of the
4 base period information that's consistently used for
5 all the calculation methods. Base periods must be one
6 to four years. The first year of reported reductions
7 must be the year immediately following the start year.

8 The start year is the first year that you submit an
9 emissions inventory.

10 Two subentities may not use identical output
11 measures if they have the same base period. So in
12 other words, if you have two plants that are producing
13 exactly the same product and you're using that as your
14 emissions intensity metric, you need to combine those
15 plants into a single subentity. And registered
16 reductions are only possible if you use a base period
17 that ends no earlier than 2002.

18 Base value is another term that we use
19 throughout the reduction part of the guidelines. The
20 base value is the emissions intensity value, the carbon
21 stock value, the absolute value that's actually used in
22 the calculation of your reductions in the reporting
23 year. Just a sort of term of art representing that
24 part of the formula.

25 There needs to be some description of the

1 types of actions that led to reductions. This can be a
2 very general description. You don't have to identify
3 the specific actions that caused the reductions being
4 reported.

5 We do have a requirement under the statute
6 for entities to continue to identify whether or not any
7 of the reductions were associated with plant closings
8 or voluntary actions or government requirements. Here
9 again is, the entity sharing ownership should ensure
10 double-counting is avoided.

11 Is the role of subentities clear? These are
12 some points for discussion. I think we've covered a
13 lot of these already.

14 The last point reemphasizes what I mentioned
15 earlier, and that is that the guidelines do recognize
16 that some entities may find it impossible to assess the
17 changes in their emissions for some part of their
18 entity. If it's really infeasible to use an absolute
19 or emissions intensity or project-specific to address
20 that part of your entity, you need to tell us so. But
21 that's kind of an exception to the rule of entity-wide.

22 Why don't I pause here -- that's, I think,
23 the end of my general introduction to emission
24 reductions -- and find out if there are any other
25 questions before we move into a more specific

1 discussion of emissions intensity and the other
2 calculation methods.

3 MR. BROOKMAN: Yes, Hunter.

4 MR. PRILLAMAN: Just one quick comment. I
5 think that it's important in the guidelines to make
6 sure that you're always distinguishing between
7 registering and reporting. I think that there really
8 are two -- almost two different programs the way you
9 have it set up, and I find it confusing when some of
10 the slides where you talk about reporters and what's
11 required for reports.

12 In some of the cases, what you really mean is
13 those things are required for those who want to
14 register. That's just --

15 MR. FRIEDRICHS: Yes. I'm not sure how best
16 to do it. The way in which it's actually written, or
17 at least we tried to write it, was that everyone is a
18 reporter. Some qualify for registered reductions. To
19 do so, you have to meet special reporting requirements.

20 MR. BROOKMAN: Kristin and then Ed.

21 MS. ZIMMERMAN: Kristin Zimmerman, General
22 Motors. Just kind of following onto that comment, an
23 overarching thought that I had. I've been bouncing the
24 idea off a few people.

25 Indeed the registration piece, the reduction

1 registered credits, that's new. And, you know, looking
2 back to the goals of the 1605(b) Program to enhance
3 accuracy and this part in the reporting piece, we
4 appear to be on the same sheet of paper with and have
5 learned more about what it means to inventory those
6 emissions.

7 The idea is to potentially pilot the
8 registration of reductions piece because my sense is we
9 are all on quite a steep learning curve to determine
10 what it means to register reductions for our own
11 entities, subentities, whatever they might be, and
12 maybe pilot, you know, the phase for a year or two to
13 get our arms around what it means.

14 So I just -- I wanted to share that as an
15 overarching comment.

16 MR. FRIEDRICHS: What I heard was that people
17 are more comfortable on the emissions inventory side
18 and as a new part of the programs, emissions
19 inventories were never required and very few
20 participants under the existing program have done
21 emissions inventories.

22 But people are at least more comfortable with
23 the idea of performing complete entity-wide emission
24 inventories. It's the entity-wide assessment of
25 reductions that right now seems like a steep demand.

1 MS. ZIMMERMAN: Or maybe we're more
2 comfortable with the reporting piece, even if it's big
3 R, versus how to really register a reduction and all
4 that that means. Kind of the top tier.

5 MR. BROOKMAN: Thank you.

6 Ed.

7 MR. SKERNOLIS: I wonder if you could clarify
8 what your intention was by using the term "government
9 requirement." Are you talking regulatory additionality
10 pure and simple?

11 MR. FRIEDRICHS: No, I'm sorry. Sometimes I
12 use the word "requirement," and that is that what we've
13 set up in the guidelines is a type of recognition and
14 that is a recognition for registered reductions. In
15 order to get that recognition, we've set out a number
16 of requirements that entities who want to participate
17 in the program would have to meet. But of course,
18 participation is entirely voluntary.

19 MR. SKERNOLIS: I think you're missing -- my
20 question was, when you report the reduction you have to
21 indicate whether they may come about through government
22 requirement.

23 MR. FRIEDRICHS: Oh, I'm sorry. That
24 specific requirement.

25 MR. SKERNOLIS: That's what I'm trying to --

1 yes. That's an additionality --

2 MR. FRIEDRICHS: That's actually a statutory
3 reference, and I don't think that's ever been fully
4 defined. It's obviously open to some interpretation.

5 I think under the existing program it's kind
6 of a check box on the forms whether or not a particular
7 reduction is attributable to a government requirement.

8 There hasn't been any detailed description of what --
9 of how that should be interpreted.

10 MR. BROOKMAN: We have other questions. I'm
11 going to ask people to remember to say your full names
12 for the sake of our record here.

13 Bill, and then to this gentleman.

14 MR. NICHOLSON: This is Bill Nicholson with
15 AF and PA. Following up on the government requirement
16 point, I would observe that it's unlikely that very --
17 well, let's put it this way. The government tends to
18 get entities to do more. That usually involves more
19 energy, more this, more that. That usually would
20 relate to increases in emissions as opposed to
21 decreases in emissions, and you should not be surprised
22 if it turns out that way.

23 MR. FRIEDRICHS: That's certainly true.
24 There are relatively few government programs that
25 actually require a reduction. But for example, I think

1 it's my understanding that there are some requirements
2 -- environmental requirements governing landfills that
3 may require flaring, and that actually can result in a
4 registered reduction, and that's an example. There are
5 efficiency standards and a few other examples of --

6 PARTICIPANT: (Off mike)

7 MR. FRIEDRICHS: Of course, if you're
8 reporting international emissions and reductions.
9 There are many non-U.S. requirements.

10 MR. BROOKMAN: I know that there is lots to
11 cover here, so I'm hoping that we can bring this
12 segment soon to an end and Mark can proceed with the
13 rest of his presentation.

14 MR. SAMPSON: Neil Sampson with the Sampson
15 Group. I have a question on a slightly different
16 topic. I note that the term "offsets" seems to be well
17 defined on page 15183. But as I go through the rest of
18 the guidelines, I don't find very much specificity in
19 how reporting entities can incorporate offsets into
20 their report.

21 I come from the standpoint of helping
22 landowners put together carbon sequestration projects
23 which they hope some day can become a value to a
24 reporting entity to be used as offsets. I'm wondering
25 where in here, if I'm missing it, there is this sort of

1 guideline for what has to be done in an offset to be
2 incorporated in a reductions report.

3 MR. FRIEDRICHS: Yes, I'm sorry. Perhaps the
4 guidelines aren't as detailed in that area.

5 In general, we try to indicate that offset
6 reductions need to meet essentially all of the
7 requirements that entities have to meet if they report
8 directly. If your offset -- if the entity producing an
9 offset reduction is a small emitter, it has a
10 simplified process. It doesn't have to do entity-wide
11 reporting.

12 However, if it happens to be a large emitter,
13 then it has to go through the hoops of demonstrating a
14 registered reduction entity-wide.

15 MR. SAMPSON: If I could follow up, does that
16 offset reduction amount then be reported in the large
17 entity emitter's report or is the small entity that
18 produced it on the land required to file a separate
19 reporting? It seems to me there is some double-
20 counting probably there if you don't watch that.

21 MR. FRIEDRICHS: Right. The intent was that
22 offset reductions are generated by entities who do not
23 report directly. It's the primary reporting entity
24 that takes that information and reports it to DOE.
25 That reduction and the entity's information is always

1 kept separate from the primary reporter's report on
2 their own emissions.

3 So an offset reduction is a separate report
4 submitted by the primary reporter.

5 MR. BROOKMAN: Two final comments, and then I
6 want you to press on with your presentation. Miriam,
7 and then Pankaj.

8 MS. LEV-ON: Miriam Lev-On. A quick question
9 in follow-up on the government requirements. Would
10 emission reductions, even if they are due to a
11 government requirement, will they be credited with the
12 greenhouse gas emission reductions?

13 MR. FRIEDRICHS: No.

14 MS. LEV-ON: But there are no direct
15 government requirements --

16 MR. FRIEDRICHS: Oh, I'm sorry.

17 MS. LEV-ON: -- on reducing greenhouse gas
18 emissions. But if they happen to be incidental --
19 like, I'll give you an example. EPA has a lot of VOC
20 control requirements, Volatile Organic Compounds.
21 Methane might be controlled under this, also.

22 MR. FRIEDRICHS: I'm sorry. I probably
23 misspoke there.

24 The requirement to disclose whether or not
25 the reduction is a result of the government requirement

1 has no effect on whether or not the reported reduction
2 qualifies for a registered reduction. It qualifies for
3 a registered reduction under the guidelines, and if
4 it's -- if that reduction happens to result -- be
5 caused by a government requirement, it would still
6 qualify as a registered reduction.

7 So that disclosure has no effect on whether
8 or not it does or doesn't.

9 MR. BROOKMAN: Pankaj.

10 MS. LEV-ON: Thank you.

11 MR. BHATIA: I just wanted to ask one basic
12 question here, if Mark or someone could answer this.
13 What is the purpose of this reduction component of the
14 1605(b)? Is the goal here to support the president's
15 goal of 18 percent intensity reduction result? Do you
16 plan to, in the future, do some kind of roll-up and so
17 from bottom up, and is that the goal? If that is not
18 the urgent goal and looking at the issues that have
19 come up on the reduction side, you know, a series of
20 issues -- and additional reductions, double-counting of
21 reductions, how do these reductions interact with each
22 other.

23 So looking at all these issues, which are
24 very serious issues, should you not think about phasing
25 the 1605(b) Program? So you could first phase in the

1 emissions, eventually, component, and as more
2 experience is gathered and more understanding on what
3 is the overall purpose that this program is trying to
4 serve, and also learning about how do these accounting
5 methodologies work, then you could phase in the
6 reduction component.

7 So I would like to hear some response on
8 this. Thank you.

9 MR. FRIEDRICHS: I can respond. It's similar
10 to the recommendation that Kristin just made. The
11 reduction component is intended as a means of
12 demonstrating an entity's overall contribution to
13 reducing emissions and contributing to the achievement
14 of the president's goal of reducing the U.S. emissions
15 intensity.

16 It is intended as a measure of the progress
17 being made by the entire entity, and it is considered
18 to be a central part of the revisions to the 1605(b)
19 guidelines.

20 But I certainly hear you. I've heard two
21 parallel comments.

22 MR. BROOKMAN: I want you to proceed with the
23 presentation.

24

25

1 Emissions Intensity (Manufacturers/Service Sector)

2 Mark Friedrichs

3 (PowerPoint presentation)

4 MR. FRIEDRICHS: Okay. Let's move on to a
5 little bit more of a detailed discussion on emissions
6 intensity. These initial slides are just a repeat of
7 some of the other introductory slides on emission
8 reductions.

9 Whoops. I'm in absolute --

10 (Pause)

11 MR. FRIEDRICHS: Sorry.

12 (Pause)

13 MR. FRIEDRICHS: Okay. Emissions intensity.
14 We've already talked quite a bit about emissions
15 intensity metrics and the calculation method. This
16 slide goes into just a little bit more detail.

17 We indicate that the metric needs to be a
18 reasonable indicator of all output of the identified
19 entity or subentity to which it's applied. It needs to
20 be a reliable indicator of changes in the reporter's
21 economic activities covered by that calculation method,
22 and it needs to be tied to the emissions that are being
23 measured here.

24 One of the important flexibilities of
25 emissions intensity metrics is that they can encompass

1 a broader range of emissions than are involved in the
2 specific production facility covered by the calculation
3 method. For example, if you have supporting emissions
4 associated with management offices, commercial building
5 space essentially, vehicle operations, all of which
6 support the output from a particular subentity, all of
7 those emissions can be rolled into that particular
8 subentity. They need not be calculated separately.

9 Intensity metrics are generally physical but
10 may be economic, with the cautions that we talked about
11 earlier. There's a simple calculation method.

12 Of course, these graphs just describe what
13 can happen, what an emissions intensity metric does.
14 It allows entities that are experiencing significant
15 increases in output and even increases in emissions to
16 report emission reductions to the extent that they have
17 achieved reductions in their emissions intensity.

18 So the top two graphs report growing
19 emissions and output; the bottom left graph, a decline
20 in emissions intensity; and then the bottom right, the
21 reductions that result from this calculation.

22 One thing I mentioned before but want to
23 reemphasize for those concerned about divulging
24 specific quantity product production data. An index
25 may be used rather than a specific volume of product

1 output. Measures of output may sometimes be measures
2 of input, such as crude oil input to refinery
3 operations. Each distinct measure of output must be a
4 distinct subentity. You can use emissions intensity
5 metrics for a variety of different subentities, but
6 each time you use a separate output metric, it needs to
7 be a separate calculation, a separate subentity.

8 And the point I made earlier; on- or offset
9 supporting activities may be integrated with production
10 facilities.

11 Some of the issues that we might want to talk
12 about at this point, but we've already covered to some
13 extent, emissions intensity metrics are -- when are
14 they practical to use and when not, an issue of
15 considerable discussion. Are the guidelines
16 sufficiently flexible or too demanding? The concern
17 about business confidential data, and what economic
18 measures of output are most reliable.

19 All of these we've touched on, but this is an
20 opportunity to focus in to the extent that you want on
21 emissions intensity calculation methods.

22 Any other questions?

23 MR. BROOKMAN: Please. Your name for the
24 record.

25 MR. SHIDELER: John Shideler, NSF-ISR. I'm

1 intrigued by the illustration of using an input for the
2 output of the emissions intensity calculation
3 illustration of the barrels of crude through a
4 refinery. That's not apparent from reading the
5 definition of an output in the guidelines, and I'm just
6 wondering, does this helpful suggestion appear
7 someplace in the guidelines themselves or is this an
8 explanation that is apart from the actual technical
9 guidelines?

10 MR. FRIEDRICHS: I think it does appear in
11 the guidelines.

12 MR. BROOKMAN: Page?

13 MR. FRIEDRICHS: Page 252 and 255. It's
14 essentially in this case an indicator of the output of
15 the facility, but it happens to be an input factor.

16 MR. BROOKMAN: Thank you.

17 Other questions or comments? I know that
18 we've touched on these, so this is a place to put a
19 little more depth in your comments should you wish to
20 do so.

21 Your name for the record.

22 MR. FIEDLER: Hi. Jeff Fiedler with the
23 Natural Resources Defense Council. I just wanted to
24 start off by saying just for the record that our
25 previous submitted comments still stand, not

1 withstanding this.

2 But on this particular issue of, you know,
3 developing an appropriate intensity metric for
4 someone's entity and choosing between the different
5 definitions of what an emission reduction means, I had
6 a question of whether there's actually going to be any
7 review by DOE or any other agency about the choices
8 companies make.

9 Just from the comments here today, you know,
10 even though on the conceptual approach there seems to
11 be a lot of questions, let along the details of
12 implementing this in the real world in companies, it's
13 going to get messy. A lot of different decisions are
14 going to get made. You know, for example, companies in
15 the same sector might choose different intensity
16 measures or different ways of dividing up their entity
17 into subentities. That seems to cut against the grain
18 or achieving consistency or reliability when it's
19 reported.

20 I'm wondering again if there will be any
21 review by any government agency about the choices that
22 are made and whether any further, you know, efforts
23 will be made to achieve those goals.

24 MR. FRIEDRICHS: Understood. It's our intent
25 to give pretty broad discretion to the reporting

1 entities to select their own metrics and to justify
2 that section. The reporting requirements do require
3 the reporting entities to specifically identify what
4 metric is used and to explain why it was chosen. We're
5 hoping that this ensures the kind of transparency which
6 is needed to provide some credibility to the measure
7 used by the individual reporter.

8 EIA gives a review to all of the reports to
9 ensure completeness and internal consistency of the
10 reports, but they are unlikely to sort of second-guess
11 an output metric by a particular reporter.

12 MR. BROOKMAN: Other comments or questions
13 related to this set of questions you see on the slide?
14 Because I think there's enough to cover that we're
15 going to move on, unless I hear more now.

16 (No response)

17 MR. BROOKMAN: Okay.

18 MR. FRIEDRICHS: Okay.

19 MR. BROOKMAN: Let's go.

20 MR. FRIEDRICHS: Reid.

21 MR. BROOKMAN: Our next presenter will be
22 Reid Harvey from EPA.

23

24

25

1 Absolute Emissions Reductions

2 Reid Harvey

3 (PowerPoint presentation)

4 MR. HARVEY: Good morning. I'm going to go
5 to the slides already here because we have a few
6 beginning slides we've already touched on.

7 Okay. So this is the first -- I think I have
8 three slides that walk through the overview of the
9 absolute emissions reduction approach. Just as a
10 reminder, in the general guidelines this is Section
11 300.8(h)(ii), and in the technical guidelines this is
12 page 256 and 257, Section 2.4.2. It's relatively
13 simple, and we've made -- I've touched on these as well
14 in our discussion to date.

15 The idea is to show that the output did not
16 decline from the base period to the reporting year.
17 We've already mentioned that there -- you can use
18 physical or economic measures of output and that
19 there's a time series so that if you are filing over
20 time you can drop out and come back in as long as you
21 continue to file.

22 The guidelines also require adjustments for
23 the base period emissions, the base value to reflect
24 acquisitions or divestitures, but not organic growth.
25 Organic growth, there's an example on page 257. For

1 example, establishment of a new activity or expansion
2 of an existing activity. That's organic growth.

3 The calculation is shown on the screen. The
4 absolute emissions in the base period minus the
5 absolute emissions in the reporting year, least year
6 change.

7 This is a picture of the simplest case. On
8 the left are emissions and on the right are widgets.
9 This shows a hypothetical reporter whose base period
10 emissions are falling from 2002 to 2005 and at the same
11 time its production of widgets from 2002 to 2005 is
12 increasing. So in this case, they're able to use the
13 absolute emissions reduction method over this time
14 period.

15 So finally, some suggested questions. We had
16 some of this yesterday, and I might turn to my notes
17 and sort of recap some of the questions I heard from
18 yesterday.

19 MR. BROOKMAN: That's excellent. If you can
20 target a few of these for additional comment or
21 reflecting from your comments there, that would be
22 helpful.

23 MR. HARVEY: Right, right. So give me one
24 second and then I'll find my notes.

25 I think we heard from Bob from GE a concern

1 about the output reduction approach and the application
2 of this approach to large multinational companies and
3 some discussion of plant closing. I think we heard
4 from NEI a concern about how you deal with recessions
5 in this case. And I think we heard from AFPA how you
6 would determine output for firms with a wide variety of
7 products. We've heard that theme, I think, throughout
8 both days.

9 Those are some of the notes that I took from
10 yesterday on this particular topic.

11 MR. BROOKMAN: Thanks. I thought that was a
12 useful summary.

13 So, additional comments on this set of
14 questions relating to output growth and output-related
15 restrictions and the requirements for Climate Leaders
16 and WRI protocols and establishing a new base year if
17 there are big changes.

18 Yes.

19 MR. HARVEY: If I could also just -- it would
20 be helpful for all of us again if you could be specific
21 with respect to the text that's on page 256 and 257.

22 MR. BROOKMAN: Thank you.

23 MR. HARVEY: It's relatively short.

24 MR. BROOKMAN: That's clear.

25 Hunter first, and then to Paula.

1 MR. PRILLAMAN: Hunter Prillaman, National
2 Lime Association. I would again like to suggest that
3 this is the wrong way to go, not allowing output
4 reductions to be included, because you're pre-judging
5 what Congress may do. There are other schemes,
6 including international, in which those reductions are
7 counted and are tradable. So to not allow those to be
8 registered is handcuffing Congress' choice in how to do
9 an eventual program, if it ever does.

10 Secondly, there are reasons for closing
11 plants and reducing output that you may want to
12 encourage through your system, such as making more
13 durable products or eliminating marginal product lines
14 when the value of the CO2 reductions might be more
15 valuable.

16 So I think that you ought to really
17 reconsider this approach.

18 MR. BROOKMAN: Thank you.

19 Do you want to respond?

20 MR. HARVEY: Thank you for your comment. I
21 think Dave Conover responded to that comment yesterday.

22 I'm not sure I can really add to his response, unless
23 Mark -- okay.

24 MR. BROOKMAN: Paula.

25 MS. DiPERNA: Sorry. Thank you. Just a

1 point of information.

2 I'm looking again at text on 243. These
3 definitions, the output-related exception and so on,
4 apply, if I don't -- if you want to report for the
5 purposes of registering as distinct from plain old
6 reporting, there's -- you mentioned this morning that
7 plain old reporting, the so-called second class
8 citizen, allows a lot more flexibility.

9 My question related to this slide is, is this
10 the definition of absolute from your point of view for
11 the purposes of registering?

12 MR. BROOKMAN: Mark Friedrichs.

13 MR. FRIEDRICH: Yes. I don't think that's
14 clear in the current guidelines. I think it will be
15 possible to report your changes in absolute emissions
16 using these guidelines, adjusting for acquisitions and
17 divestitures. In other words, comparable to the
18 reporting of absolute emission changes under some other
19 reporting programs without -- even though your output
20 is declining but not to get recognition for registered
21 reductions.

22 Is that right?

23 MR. BROOKMAN: Okay. Thank you.

24 Obadiah?

25 MR. BARTHOLOMY: Obadiah Bartholomy with

1 Sacramento Municipal Utility. I have a question
2 regarding this organic growth versus acquisitions. If
3 we're building a new combined cycle natural gas plant
4 to offset purchases we make for our customers'
5 electricity needs, would that be considered something
6 we should adjust our baseline for even though the
7 purchases that we're making are not included in our
8 baseline?

9 MR. HARVEY: In the text, as I understand it,
10 establishment of a new activity is considered organic
11 growth and so you don't adjust your baseline for that.

12 MR. BROOKMAN: I see Mark Friedrichs. You're
13 nodding in agreement. Yes.

14 Okay. Daniel.

15 MR. KLEIN: Dan Klein with Twenty-First
16 Strategies. Let's say a reporter is reporting his --
17 registering his absolute emission reductions and then,
18 after a couple of years, finds that his entity's output
19 has fallen. Can that reporter then convert to an
20 intensity-based measure, and if so, is there a
21 restatement or re-registration of past years'
22 activities?

23 MR. HARVEY: I think we talked a little bit
24 about this already, and Mark's answer I would sort of
25 share again. It provides considerable flexibility to

1 restate -- to submit a new entity statement, to submit
2 a new base period calculation if they so choose.

3 MR. BROOKMAN: Okay.

4 MR. FRIEDRICHS: Right, but it's not
5 something that we will permit easily. In other words,
6 a year-to-year change in method. You have two options.
7 You either start from the beginning again with a new
8 base period or you go back and you restate your
9 reductions from your original start year.

10 MR. BROOKMAN: Greg, and then Tom.

11 MR. McCALL: Greg McCall, American Electric
12 Power. My question is already partially answered, but
13 on Bullet Item 2, since the baseline requirements are
14 different for Climate Leaders, or at least our
15 commitment to Climate Leaders, than what DOE allows, it
16 would force us to go through -- rather than reporting
17 absolute emissions, we would go to intensity, if we
18 could report reductions under that if we wanted to get
19 registration.

20 So this is pointing out that the differences
21 in those two programs might force us to report
22 differently in the different -- depending on what we're
23 -- which program we're reporting to. It's just more
24 work.

25 MR. HARVEY: Thanks for your comment. I'm

1 not sure I have a response to that.

2 It was difficult for us to hear. I think I
3 caught the bulk of it, but we didn't get the exact --
4 I'm not sure if the reporter -- I guess, let me try to
5 restate it to you and make sure we caught it
6 accurately.

7 You were saying that because there are
8 differences in the programs with respect to goals and
9 also with respect to the use of the base year that you
10 might find yourselves using intensity, for example,
11 under one program and an absolute approach under
12 another program, and that it added unwanted complexity.

13 Is that an accurate comment?

14 MR. McCALL: Yes.

15 MR. HARVEY: Okay. Thank you.

16 MR. BROOKMAN: Thank you.

17 Tom.

18 MR. CARTER: Tom Carter, Portland Cement
19 Association. I also wanted to just weigh in on
20 Question 2 briefly.

21 I haven't been able to do a side-by-side
22 comparison to know the answer to the first half of the
23 question, "Are the requirements the same?" But for the
24 second half, "Should they be?", I would say
25 resoundingly yes, particularly in the case of the GHG

1 protocol.

2 MR. HARVEY: That's certainly been our goal
3 all along, is to engage in this discussion to try to
4 minimize the differences.

5 MR. BROOKMAN: Bob Schenker.

6 MR. SCHENKER: Bob Schenker, General
7 Electric. I'd like to address the third point and a
8 few others.

9 First of all, GE will experience major
10 changes every single year. If we have to reestablish a
11 new base year, we will always be in a base year and
12 never be able to show a reduction year.

13 So we will basically establish a baseline.
14 We'll call it 2004. There is a need to make changes to
15 the baseline if we acquire new entities. DOE in the
16 guidelines states that if we were to acquire an entity
17 that was not established before our baseline period
18 that we would not be able to reestablish the baseline.
19 We think that is totally inappropriate.

20 Basically, you're asking us to handle the
21 acquisition of a new company that was established after
22 our baseline as organic growth. It very clearly is not
23 organic growth. It's a new company that we have
24 acquired.

25 We also -- what we would like to be able to

1 do is that if we acquire a company, we want to bring
2 that company into our baseline, but we want to bring in
3 the emissions in the year that that company was
4 acquired and then add that to our baseline.

5 The reason for it is that, first of all, if
6 we were to acquire -- it says, "Establish a baseline in
7 2004" -- acquire a company in 2010, it's going to be --
8 unless the company has been keeping very detailed
9 records, it's going to be impossible for us to go back
10 and recalculate what that company's emissions were in
11 2004.

12 Also, why should we be penalized if we're
13 trying to show reductions. Why should we be penalized
14 in the increases in that company that may have occurred
15 between 2004 to 2010 where we had no control to try to
16 cause reductions.

17 To the same light, why should we benefit from
18 the reductions that that company achieves between 2004
19 and 2010 when we did nothing to achieve them.

20 So what we want to do is that we establish a
21 baseline in 2004. Every single year as we do
22 acquisitions, we will change our baseline and we'll
23 change our baseline based on the emissions of the
24 acquired company in the year that we acquire them.
25 Then we will show -- as we move forward, we will show

1 all of our reductions and changes and so forth based on
2 that baseline that's changing every single year.

3 MR. BROOKMAN: Thank you.

4 Additional comments on this set of slides?
5 Yes, several people.

6 Yes. Bill first, then Mary, and then back to
7 Sergio.

8 MR. REAGEN: Bill Reagen from 3M. I just
9 want to go back to Point 2, whether the DOE reporting
10 requirements are the same as Climate Leaders. It's
11 still an outlying issue. Climate Leaders allows roll-
12 ups of reported data, whether it's absolute or
13 intensity, and it's not clear what the DOE requirements
14 will be.

15 MR. BROOKMAN: Thank you.

16 Mark Friedrichs.

17 MR. FRIEDRICHS: You're talking about the
18 data that's actually included in the reports and that
19 DOE's requirements are likely to require the submittal
20 of considerably more data to DOE?

21 MR. REAGEN: That's correct.

22 MR. FRIEDRICHS: Right.

23 MR. REAGEN: The activity data, proprietary
24 data, versus roll-ups.

25 MR. FRIEDRICHS: Yes. The reporting

1 requirements are likely to be more detailed. Of
2 course, some of that data can be protected under the
3 procedures that DOE has for protecting business
4 confidential data. But that is a difference.

5 MR. BROOKMAN: Mary Quillian.

6 MS. QUILLIAN: Mary Quillian, Nuclear Energy
7 Institute. Actually, I have a suggestion to Bob's
8 point, because clearly the baseline issue is something
9 that any company that's acquiring or selling plants has
10 that problem. And I think there should be a provision
11 for baselines being set at subentity levels for which
12 you're looking at inventories and reductions.

13 So in other words, if you acquire a company
14 in 2010, you will then figure out the inventory for
15 that subentity according to the 2010 number and not
16 have to readjust the baseline for the rest of your
17 assets from 2004.

18 Was there any thinking along that line?

19 MR. BROOKMAN: Mark?

20 MR. FRIEDRICHS: I'm sorry. I should perhaps
21 -- I should have introduced -- that's another way of
22 treating new activities or acquisitions, and that is
23 creating a separate subentity, essentially establishing
24 a new baseline for that acquisition, and then tracking
25 it separately.

1 MR. BROOKMAN: So whether the subentity moves
2 in and out, it's a discrete piece.

3 MR. FRIEDRICHS: Right.

4 MR. BROOKMAN: Right. Okay.

5 Sergio.

6 MR. GALEANO: Thank you.

7 Sergio Galeano, Georgia Pacific. I'm going
8 to address Question 2 and perhaps Question 3. We have
9 made comments in the past -- we will keep on making the
10 comments until we have that opportunity -- that
11 regarding the guidelines the suggestion has been made
12 to use terminology that already has been established.
13 In our opinion, the best established of this
14 terminology and protocols of entity inventory has been
15 the WRI first protocol.

16 We have done the same thing in developing the
17 ISO standards in also pressing for them to use as much
18 as possible the same WRI terminology. I think that we
19 have been quite successful in that, although it's not
20 perfect.

21 That resolved a lot of problems. We see
22 continuously differing interpretations on the same
23 topic in different ways that are only confusing.
24 Because the registry 1605 wants to have an
25 international character to represent the multinationals

1 that should be there or are there already, I guess we
2 need to contemplate that really seriously.

3 Because, it's not a matter of it's my term
4 and I don't use the other one. It's what -- in the
5 same way that when we go to international meetings we
6 are very pleased to see that English is the language of
7 many other countries that accept our English. We
8 should accept other terminologies and not perhaps bring
9 my terminology, period.

10 That goes the same thing perhaps in Question
11 No. 3, because there are already established procedures
12 that we follow, that we implement, that we have the
13 experience that they are workable, that WRI established
14 the base GR emissions adjustment.

15 That is not clear at all in the present
16 registry. We make statements in one paragraph and we
17 touch the topic again in another, but it's not a clear
18 and concise rule about how the adjustment needs to be
19 made. We see more and more by the comments that people
20 feel that there have to be adjustments for many, many
21 reasons.

22 All those things have been discussed and
23 consensus has been arrived at on that. Why not to use
24 that? Thank you.

25 MR. BROOKMAN: Thank you.

1 MR. FRIEDRICHS: Point taken. This
2 particular emission reduction calculation method has
3 lots of parallels, obviously, with the approach taken
4 under Climate Leaders and WRI, and we should make more
5 of an effort to ensure that the language is parallel.

6 MR. HARVEY: I would add, if you in your
7 comments can illustrate for us where you think we have
8 gone astray, that would be very helpful.

9 MR. BROOKMAN: So I want to certainly get any
10 final comments on this subject and any specific
11 questions, Reid, that you'd like to have answered, yes,
12 because I want to move on. We have four additional
13 presentations we want to push through.

14 Please.

15 MR. NICHOLSON: Bill Nicholson, AF and PA. I
16 think that we confused the question that Bob from GE
17 started a bit. If I am a farmer and I have two
18 subentities, carrots and beans, and I acquire a
19 subentity that makes peas, I can -- according to what
20 Mark just said, I can start a new baseline for peas.
21 If I acquire another carrot farm, I have to back and
22 readjust my base.

23 MR. HARVEY: This is on page 257. Let me
24 just read you what we're saying, and maybe we need to
25 be clear and maybe provide more detail about these

1 adjustments.

2 MR. FRIEDRICHS: We always envisioned -- and
3 this is a point of confusion which perhaps we haven't
4 thought through carefully enough -- that absolute
5 emissions might be used for either the entity as a
6 whole or for subentities. With that concept, if you
7 have a new acquisition, you should be able to treat
8 that as a separate subentity. But I agree that we need
9 to be clear on this point.

10 MR. BROOKMAN: Thank you.

11 Sergio, a quick follow-on before we move on?

12 MR. GALEANO: I think that -- not to appear
13 negative, but I'm hearing answers to some questions
14 that I think that are very confusing, especially
15 because we don't have the simple rules of how to adjust
16 the base year.

17 The rules are very simple, two sentences:
18 greenhouse emissions that increase or decrease, you
19 don't adjust the base year. Greenhouse gas emissions
20 that are transferred that have to do with purchases or
21 setting of entities or facilities, then the base year
22 is adjusted. There is reasoning about why those things
23 make sense in general, so.

24 MR. BROOKMAN: Thank you.

25 So then, I think we're going to move on to

1 the next slide presentation, and who's doing that one,
2 Mark? Ray, okay.

3 I want to make sure we cover these as a
4 matter of fairness.

5 So Ray Prince is going to be talking about
6 cogeneration and transmission and distribution.

7 Cogeneration, and Transmission and Distribution

8 Ray Prince

9 (PowerPoint presentation)

10 MR. PRINCE: Okay. I want to concentrate,
11 since we are running out of time, on Slides 8 and 9.
12 Slide 8 is information that we have talked about before
13 that there's a different emission coefficient that you
14 use in your inventory as compared to your reduction
15 report. One is a regional, the other is a national.

16 And then another thing that is mentioned,
17 too, when you're talking about avoided emissions and
18 changes in intensity is a benchmark that is required to
19 be used. If you look at the next slide and the
20 equation that is at the bottom of that slide, there is
21 that benchmark number that is stated. It's the average
22 intensity for the electric generating industry in
23 general.

24 What I wanted to concentrate on is what that
25 equation there, which gives you combined reductions

1 that you get for changes in intensity and avoided
2 emissions, has to do with the reductions that anybody
3 else would report.

4 If you look at the discussion on page 256 of
5 the technical guidelines, you start with your emissions
6 inventory report. In order to compute your reductions,
7 your total reductions are defined on page 256 -- this
8 is for a non-energy generator -- as R plus any
9 sequestration plus any offsets. That's on page 256.

10 This is for absolute reductions. You're
11 using the absolute reductions. R is defined as EB
12 minus ER. All that is, is your indirect and direct
13 emissions in the base period and your direct and
14 indirect emissions in the reduction year period.

15 And again, the only thing that is different
16 from what appears in your inventory report is offsets
17 are not reported in the inventory and you have adjusted
18 the indirect emissions for this national coefficient.

19 On page 254, they give you the formula for
20 estimating reductions using the intensity method, and
21 it's exactly the same formula. Total reductions are R,
22 plus any sequestration, plus any offsets.

23 The difference is in the definition of this
24 thing, R, how you use intensity measurements to
25 estimate reductions based on direct and indirect

1 emissions.

2 Again on page 254, that formula is that R is
3 equal to EB divided by OB minus ER minus -- divided by
4 OR, and all of that times OR.

5 You end up with, as we discussed before,
6 absolute tons. That is why, if you're doing this for
7 subentities, you can add an R computed using absolute
8 emissions from one subentity and an R using intensity
9 for another subentity and get total reductions for the
10 entire intensity. It all ends up being in tons of
11 reductions.

12 Now, what has that got to do with the formula
13 that's up there on the slide that's on the screen?
14 What you are doing when you compute avoided and --
15 reductions due to avoided -- if you are an energy
16 generator and you are computing reductions due to
17 changes in avoided emissions and intensity, is really
18 taking what would be your direct emissions, making a
19 couple adjustments, and then deriving that formula.

20 In the case of an energy generator, and I'll
21 just -- I think we can still see this. In the case of
22 an energy generator, those total reductions are going
23 to be changes due to avoided emissions plus changes due
24 to intensity, and then of course your sequestration and
25 your offsets.

1 So you can see the formula for figuring out
2 what your total reductions if you're an energy
3 generator are, looks a lot different than you are if
4 you're anybody else. But in fact there's very little
5 difference. If you take this formula that is up here
6 on the screen where you have your emissions reduction
7 and you adjust it, what you're doing here is you're
8 simply trying to determine what part of your total
9 output, which would be OB or OR, that was actually
10 exported generations, and you're substituting a
11 benchmark.

12 In fact, and we can show this mathematically,
13 if you had a case -- this is a very simplified case,
14 but my point is this. In that formula that's on the
15 screen, if you had a generator who had no internally
16 used power -- in another words, his exported generation
17 and his exported emissions were exactly total to his
18 total emissions and his total generations -- and if you
19 happened to have one whose benchmark happened to equal
20 to the 0.6 tons that is now the national average, what
21 you would get is the formula that you have right here.

22 There is a direct equivalence in the
23 simplified case between the formula that is used for
24 energy generators and the formula based on emission
25 intensity that anybody else uses in order to compute

1 their reduction. There is not inconsistency between
2 the two.

3 This is much more complicated, but you can
4 demonstrate mathematically that this, in the
5 simplifying case of your not having any internally used
6 energy and your actual emissions intensity happening to
7 be equal to the benchmark, that you would get exactly
8 the formula that everybody else uses for computing
9 their total reductions using the intensity method. So
10 there is an internal consistency in all of this.

11 MR. BROOKMAN: Do you want to pause right now
12 and see if there any clarifying questions at this point
13 before he presses on?

14 (No response)

15 MR. BROOKMAN: I see none.

16 MR. PRINCE: Okay. Now -- okay.

17 MR. FRIEDRICHS: I know that my eyes glaze
18 over in the face of formulas often, and so your eyes
19 have all glazed over, I suspect.

20 (Laughter)

21 MR. BROOKMAN: This is why we only have one
22 economist on the team.

23 (Laughter)

24 MR. FRIEDRICHS: One kind of simple
25 restatement. The integrated formula is just a very

1 simple way of assessing the reductions associated with
2 both declines in the emissions intensity of your base
3 generation as well as emission reductions associated
4 with your additional generation from low or non-
5 emitting sources.

6 Do you have any questions?

7 MR. REAGEN: Yes. This is Bill Reagen at 3M.

8 I would just ask if an uncertainty budget or a
9 quantitative uncertainty assessment will be done along
10 this line to verify the conclusions that you're making.

11 On all the parameters that go into these equations,
12 each may have independent uncertainties of unknown
13 magnitude. When they are combined in an overall
14 equation, how do the two results compare?

15 MR. PRINCE: I'm not sure I understand the
16 nature of your question. Are you saying that some
17 point estimates are different than other point
18 estimates because of the standard deviation of the
19 estimate? I'm not sure what your point is.

20 MR. REAGEN: My point is, I guess, basically
21 that the term "uncertainty" from a quantitative
22 standpoint is not used in the inventory reporting at
23 all. To say the reporting elements are equivalent
24 without a quantitative uncertainty assessment in all
25 these parameters, I'm not so sure I would agree because

1 there's no way to measure it.

2 MR. FRIEDRICHS: In this case, we're just
3 talking about the formula equivalency. I think you're
4 raising a broader concern about the equivalency of the
5 different emission inventory methods and how they
6 affect the kind of reliability, uncertainty associated
7 with the reduction calculations; is that correct?

8 MR. REAGEN: That's correct.

9 MR. BROOKMAN: So, Bill, can you imagine an
10 uncertainty factor that would be introduced here that
11 would hope to describe that?

12 MR. REAGEN: No, I'm not. What I'm
13 suggesting is that there are many parameters going into
14 these equations, all of which would have different
15 uncertainties depending on methodologies used,
16 assumptions made, and none of that is quantified. So
17 it just -- the complexities of these equations
18 underneath that are those issues.

19 MR. BROOKMAN: Okay. I see another
20 commenter. Your name for the record, please, Michael?

21 MR. LEE: Hi. My name is Michael Lee. I
22 work for Exeter Associates. I see where you're getting
23 your 0.64 on page 259, and I think that refers back to
24 page 139, where you're discussing indirect emissions.
25 I think I can follow up on 3M's issue of uncertainty

1 with some of these factors.

2 In fact, if we look specifically at this map
3 of NERC regions, one thing I can note is that you have
4 these transmission grid operators that operate in more
5 than one of these NERC regions. One specific example
6 is PJM.

7 PJM operates in MAC, ECAR, and as of this
8 year, Maine. So then, when you go to these admission
9 factors on page 139, or your emission intensities, if I
10 just look at ECAR and MAC, I see that there's a
11 difference of 0.98 and 0.57.

12 So that, there's going to be -- somebody may
13 play around with these numbers, as well as if you look
14 -- at one point it says on page 144 that you have
15 consumption data by suppliers' emissions factor and
16 then another by generator, which, you know, where the
17 supplier is, where the generator is, and where the end
18 user is are in all different locations. If these are
19 interconnected across NERC regions, you could end up
20 with different numbers and people having an incentive
21 to come up with favorable numbers.

22 That's it.

23 MR. FRIEDRICHS: Let's not confuse the
24 calculations of indirect emissions associated with
25 electricity use with the emissions we're talking about

1 here, which are associated with electricity generation,
2 which are all directly associated with the generating
3 plants covered by the emission reduction calculation.

4 MR. REAGEN: You're right. It's a semi-
5 different topic.

6 MR. BROOKMAN: I want to make certain that
7 the formula that is used as an illustration here, that
8 we take it conceptually, that we abstract up one layer
9 from it what the meaning of this is. I note that
10 several people wish to comment.

11 So, Mark and Ray, if you could talk about,
12 you know, the meaning --

13 MR. FRIEDRICHS: Conceptually, right.

14 MR. BROOKMAN: -- the meaning in this now
15 before I go to these additional questions.

16 MR. PRINCE: The way I'm understanding this
17 issue is, people are saying that there is a lot of
18 uncertainty with this number right here because there
19 are different ways of calculating emissions.

20 MR. BROOKMAN: That number is what?

21 MR. PRINCE: That is the emissions in either
22 the base period or the reduction year period. That's
23 where the uncertainty enters in.

24 Now, that's a point well taken. The next
25 question of course is what you do to account for that

1 or correct for that situation. That would be the
2 question that we would be interested in.

3 MR. FRIEDRICHS: Of course, in this
4 particular area when we're talking about electricity
5 generation, it's one of the areas where we have the
6 most reliable, most accurate ways of assessing the
7 emissions associated with most electricity production.

8 So the uncertainties involved in a lot of the
9 inventory methods are much less of a concern in this
10 area.

11 Do we have any other kind of conceptual
12 questions about this integrated method?

13 Mary?

14 MR. BROOKMAN: Mary Quillian.

15 MS. QUILLIAN: Mary Quillian, Nuclear Energy
16 Institute. Let me give you a for instance. I just
17 thought of this so I have to go home and do the math
18 myself, all right? But let's take the equation on the
19 bottom of the slide and let's say that you've got a
20 fossil-fired generator that makes -- because the
21 reality is a fossil-fired generator, some of that
22 generation is going to the plant. So you do not have a
23 perfect situation where all of the electricity
24 generated is being exported, correct?

25 MR. FRIEDRICHS: No, but even the electricity

1 used in the plant is essentially supporting the export
2 of the electricity. That's the function of the plant.

3 So those emissions can just be associated with the
4 export of the electricity in this formula. You don't
5 have to separately account for them. Is that
6 understood?

7 MS. QUILLIAN: So, are you using the total
8 emissions from the plant?

9 MR. FRIEDRICHS: Exactly.

10 MS. QUILLIAN: Period. You're not trying to
11 parse the emissions off?

12 MR. FRIEDRICHS: Period. Even though there
13 is some power that's used on site, that power used on
14 site is still dedicated to the production of the
15 electricity that's exported. So it could be all
16 integrated into the same formula.

17 MS. QUILLIAN: Well then, why do you have --
18 okay. Then that answer satisfies my for instance,
19 which was going to disprove this, but then my second
20 question, or my follow-on is, why are we calling it
21 exported emissions?

22 MR. FRIEDRICHS: Yes, that's a term. It
23 means it's the emissions associated with your export
24 energy. That's in the case of a cogenerator, for
25 example, where you might have internal consumption of

1 heat and/or electricity that's associated with product
2 output and that's separately accounted for.

3 In other words, if you're a refiner or a
4 manufacturer that has a cogen facility on site that's
5 exporting energy, you'd use this formula for the export
6 energy and you'd have to separately account for that
7 electricity or heat that's used in your production
8 process.

9 MS. QUILLIAN: Then I would say that this
10 needs to be clarified so that for a dedicated electric
11 generating unit that is only producing energy that is
12 exported, that all of the emissions -- it's clear that
13 you use all of the emissions.

14 The reason is, if it's not clarified, you can
15 get into a tricky situation where if the plant does
16 efficiency improvements so that more of the electricity
17 generated is actually going out of the plant,
18 theoretically in this calculation if that export
19 emissions number is not clarified, that would go up.
20 So -- because if you have to parse.

21 MR. FRIEDRICHS: Right. But I think the way
22 in which it's done, you'd actually get credit for that
23 as part of this formula.

24 MR. BROOKMAN: Please say your name for the
25 record.

1 As I understand it, Ray, this is your last
2 slide?

3 MR. PRINCE: No, there are issues, but I
4 think we have covered these.

5 MR. BROOKMAN: Okay. I want to make sure we
6 make a glancing blow at the issues. So why don't you
7 advance to the next slide, unless this gentleman wishes
8 -- do you wish to speak about this equation?

9 MR. BLUESTEIN: Yes. Just two quick --

10 MR. BROOKMAN: Just leave it there, then.

11 MR. BLUESTEIN: Well, you can go ahead. Two
12 quick clarifications. Back on the issue of the
13 benchmark -- oh, sorry. Joel Bluestein, EEA. On the
14 benchmark value, there's been all this discussion about
15 the emission factors for the indirect and the NERC
16 regions and more granularity, et cetera.

17 I'm just wondering, this is a separate issue,
18 but are you inclined to do something similar here or do
19 you think that a national value is more appropriate for
20 some reason in this case, or is that something that --
21 if you're considering more granularity on the other
22 side that you want to add here.

23 Because, obviously, what you're avoiding
24 varies quite a bit if you're in one part of the country
25 or another. So that's Question No. 1.

1 No. 2, I just wanted to clarify that this
2 integrated method can be used, it says here, by all
3 generators. But I just want to confirm that if a power
4 generating company has a mix of old and new,
5 renewables, fossil, nuclear, et cetera, lump all that
6 together, all the electricity and all the emissions,
7 and they apply this and it takes everything in.

8 MR. FRIEDRICHS: Yes, it does.

9 MR. BROOKMAN: Mark Friedrichs.

10 MR. FRIEDRICHS: You don't have to
11 distinguish between a new facility or an existing
12 facility. Essentially what the formula does is it
13 distinguishes between existing generation and your base
14 period, and incremental generation.

15 For any incremental generation, it creates a
16 baseline based on the benchmark that we've identified.
17 That benchmark is a national benchmark and parallel to
18 the indirect emissions benchmark used for reductions,
19 although slightly different. But anyways, it's a
20 single benchmark.

21 The formula gives you this combined result
22 that gives power generators recognition for a very
23 broad range of actions that they take to reduce the
24 emissions intensity of their existing generation or to
25 increase their generation using low or non-emitting

1 sources. It does so in a single, simple formula.
2 That's the intent.

3 MR. BLUESTEIN: I guess the point I'm making
4 is that if you are registering reductions and you're
5 not an energy generator, there are two adjustments you
6 have to make to your inventory. You have to add in
7 offsets, and you have to go to a national index in
8 order to determine the indirect emissions.

9 If you are an energy generator, you have up
10 to four adjustments to make: those two plus
11 introducing the benchmark intensity figure in the
12 formula that's on the slide and figuring out what your
13 exported generation is. So it's a matter of two versus
14 four adjustments to your inventory numbers.

15 MR. BROOKMAN: Pankaj.

16 MR. BHATIA: I wanted to emphasize my comment
17 on this issue of benchmark. I think several of us have
18 pointed out and it looks that also I believe the DOE
19 staff here has also indicated that there may be some
20 more thinking that will go behind on how do you select
21 this benchmark.

22 Right now, the way you define this concept on
23 page 257 of the technical guidelines; as I said
24 earlier, the way this concept is defined, it is about
25 predicting what would have happened otherwise. You

1 clearly capture that point in the first definition in
2 the sentence where you say that when an energy product
3 produced by a non- or low-emitting source is sold to a
4 customer that would have otherwise purchased a
5 comparable energy product by a high-emitting source.

6 So here, I think for an accurate
7 quantification of reductions you have to predict what
8 would happen, the behavior of the consumer. In that
9 context, I think the benchmark has to be developed.

10 Also, I think it would be consistent then
11 with your other guidance that you have provided and was
12 mentioned yesterday, when a consumer purchases green
13 power or if a consumer changes their energy supplier,
14 then 1605(b) guidelines recognize that as a third party
15 reduction that would be an offset.

16 So it's a similar case. When a -- if you
17 recognize that as an offset, then in this case also you
18 have to recognize this as a potential offset that is
19 generated by the generator and then should be
20 quantified using offset quantification methodologies
21 that include proper selection of the baseline, et
22 cetera.

23 Thank you.

24 MR. FRIEDRICHS: Yes, I think you may be
25 misunderstanding a little bit about our discussion on

1 the benchmark. We're not trying to make a prediction
2 about what might happen in the future. What we're
3 simply trying to do with the benchmark is indicate the
4 marginal emissions in the electric sector that are
5 displaced if you increase generation from a low or non-
6 emitting source.

7 And so we're trying to come up with a single
8 factor which best represents that value in any given
9 year.

10 The other point that you raised on offset
11 reductions associated with the purchase of green power,
12 we want to ensure that there's only one entity that is
13 claiming reductions associated with increased
14 generation from low or non-emitting sources.

15 The first entity that we presume has the
16 right and responsibility to account for those
17 reductions is the owner of the generator. In other
18 words, the owner of the wind farm or the nuclear power
19 plant that increases generation.

20 The user, the ultimate purchaser, has a right
21 to report that only if they have an agreement with the
22 generator and the generator agrees not to report it.
23 So that's the only condition under which someone who is
24 purchasing green power from a grid would be recognized
25 for that reduction.

1 MR. BROOKMAN: Let me ask you -- I'm going to
2 ask Mark and Ray -- to look at these key issues up
3 here. You can see, for those of you that are looking,
4 there are five of them.

5 I think we've addressed, as I scan through
6 them, virtually all of them. I'm wondering if the two
7 of you think that any one of those five you'd like
8 additional comment on, or do you think that they have
9 been addressed in part or adequately from your
10 perspective?

11 So I'm looking for your guidance here. Yes.
12 So we'll start there. And then we have three more
13 presentations to do.

14 Let me hear from Jim. I hope that we can get
15 through these fairly rapidly so we can get on to the
16 others.

17 Jim.

18 MR. MUTCH: Just to follow up to the point
19 that Mark was talking about with respect to --

20 MR. BROOKMAN: Jim Mutch.

21 MR. MUTCH: Close.

22 MR. BROOKMAN: I was trying to read beneath
23 your elbow.

24 MR. MUTCH: Okay. With respect to the point
25 that Mark was making regarding green energy, that the

1 user of green energy could only register reductions
2 associated with zero or low-emitting energy if he had
3 an agreement with the generator, I would agree with
4 that, but I would say that the same consideration
5 should be extended to the distributor of the energy.
6 In other words, to the electric utility that
7 distributes that energy to the end user, who should be
8 able to register it if he has an agreement with the
9 generator.

10 MR. FRIEDRICHS: I'm sorry. I should have
11 made that clear. Yes, the utility, for example, that
12 might purchase power from a wind farm or other low or
13 non-emitting source could also report is as an offset
14 reduction if they had an agreement with the generator.

15 MR. BROOKMAN: That's the general or
16 overarching rule. If you've got a contract that
17 establishes who owns these things, then that --

18 MR. FRIEDRICHS: That's right.

19 MR. MUTCH: If that's the case, then that's
20 not expressed that way in the guidelines. The
21 guidelines -- I don't have the citation in front of me,
22 but the guidelines specifically seem to preclude the
23 distributor -- the utility who is distributing that
24 from registering those emissions even if there is an
25 agreement.

1 MR. FRIEDRICHS: I'll look at that language.

2 It might have been a point of confusion about we
3 wanted to make clear where we were assigning the
4 original kind of right to. In that case, we were
5 trying to make clear that the original right is with
6 the generator, the wind farm owner, the nuclear power
7 plant owner, and not the purchaser of that power,
8 whether it be a utility or the ultimate user.

9 MR. BROOKMAN: Thank you.

10 Final comments on this slide, this set of key
11 issues? I think we've visited this fairly adequately,
12 but it's your decision to make, not mine.

13 Please.

14 MR. DIAMANT: Adam Diamant with EPRI. As a
15 follow-up to the question that was just asked and
16 Mark's response, does that mean the generator, that
17 wind power company that might be generating that, it
18 would have to go through all of the registration
19 requirements or guidelines within 1605(b) to have that
20 reduction recognized before it could be transferred.
21 And in Jim's case, his company would count that as an
22 offset obtained from that generator?

23 MR. FRIEDRICHS: They would essentially have
24 to report that information to the entity who was
25 ultimately claiming that offset reduction. When that

1 entity, utility, or the user was reporting it to DOE,
2 they would include the information from the wind farm.

3 MR. BROOKMAN: Eric, follow on. Your name,
4 please.

5 MR. KUHN: Eric Kuhn with Synergy. In that
6 example, who registers the reduction? I don't quite
7 understand how offsets work in this formula.

8 MR. FRIEDRICHS: The entities that generate
9 the offset reductions do not report directly to DOE, at
10 least under the guidelines as they're now drafted.
11 They report only through the other entity.

12 MR. KUHN: So if Synergy works with another
13 entity to develop an offset project, Synergy reports
14 the offset or registers the offset? Or does the other
15 entity register the offset?

16 MR. FRIEDRICHS: Synergy is the direct
17 reporter, yes.

18 MR. KUHN: So they report it more as a
19 project?

20 MR. FRIEDRICHS: Yes, as what we call an
21 offset reduction. That's the intent.

22 MR. BROOKMAN: Okay. Other final comments
23 before we move on to the next presenter?

24 Briefly. Pankaj.

25 MR. BHATIA: So I think this -- Pankaj from

1 WRI -- presents a very interesting point, and I don't
2 know if you have considered this. It seems to me that
3 you would probably allow the reporters to trade or to
4 exchange reductions.

5 Now, suppose Synergy registers these
6 reductions and then subsequently they transfer those
7 reductions to another party. Then, what guidance do
8 you provide? What do they do? Do they go back and
9 debit those reductions from their account and show that
10 those have been sold and the other party then can take
11 credit for them? How do you do this through these
12 different accounts?

13 MR. FRIEDRICHS: The way the guidelines are
14 drafted, EIA doesn't get into the business of tracking
15 those transfers. All such transfers among reporters to
16 1605(b) are private transactions between those
17 reporters and are tracked by those reporters. EIA, DOE
18 would not get involved in that transfer process.

19 MR. BROOKMAN: Okay. I really feel like we
20 should move on.

21 MR. FRIEDRICHS: Right.

22 MR. BROOKMAN: Okay.

23 MR. FRIEDRICHS: We are actually going to
24 kind of skip over, because we've already addressed both
25 here and some other sessions, some of the issues in the

1 cogen area and transmission and distribution area. We
2 would be happy to talk to people individually if they
3 want to get into those areas.

4 Did you have a question in particular on
5 that?

6 MR. BROOKMAN: Eric.

7 MR. KUHN: Eric Kuhn with Synergy. In kind
8 of a follow-up to the question that was just asked, or
9 the statement just made, do I understand that if
10 Synergy buys a reduction that's already registered in a
11 private transaction essentially as an offset for -- I
12 mean --

13 MR. FRIEDRICHS: Right.

14 MR. KUHN: -- we would normally consider that
15 an offset. But there is no way for Synergy to take
16 credit for that offset because it's already registered.

17 MR. FRIEDRICHS: Take credit for it under the
18 program, meaning --

19 MR. KUHN: To reduce our emissions in such a
20 way.

21 MR. FRIEDRICHS: -- to indicate to DOE that
22 you had purchased this from some other entity.

23 No, DOE doesn't have a procedure, at least
24 under the guidelines, for recognizing those transfers.
25 Of course, your contract would be sufficient for you

1 to claim responsibility essentially, but that's a
2 private --

3 PARTICIPANT: To claim ownership, but that's
4 outside of this registration.

5 MR. FRIEDRICHS: Outside of the registration.

6 MR. BROOKMAN: Neil.

7 MR. SAMPSON: Neil Sampson, Sampson Group.
8 That answer confuses me, because it seems like with
9 annual reporting if you report the offset one year and
10 don't report it the next year, it didn't get DOE into
11 the trading business at all but it did accurately
12 reflect who currently held the right to report that
13 offset.

14 MR. FRIEDRICHS: The way in which the
15 guidelines are drafted, we require continuous reporting
16 on the part of both the primary reporter as well as for
17 those offset reductions. So it's not a one-year thing.
18 You need to develop an agreement that results in
19 regular reporting on offset reductions.

20 MR. BROOKMAN: Final comment.

21 MR. BHATIA: But you don't require any
22 reporting on any purchases or sales of offsets. So
23 even if the ownership has changed subsequently, the
24 annual report will not reflect that.

25 MR. FRIEDRICHS: Exactly.

1 MR. BROOKMAN: Okay. So then, let's do move
2 on to the next item. Which one would you like to do
3 next? Do you want to do sequestration?

4 MR. FRIEDRICHS: Yes.

5 MR. BROOKMAN: Yes.

6 MR. FRIEDRICHS: No. Actually, if -- oh,
7 okay. Great.

8 MR. BROOKMAN: Jan, are you ready?

9 Does everybody want to just stand up and
10 stretch? Please do that. Don't go anywhere.

11 (Laughter)

12 MR. BROOKMAN: Just stand up and stretch. We
13 will make it through all this content.

14 Lock those doors.

15 (Brief recess)

16 MR. BROOKMAN: Okay. We're ready, folks.
17 Either stand and be silent or sit. I guess I'd prefer
18 that you sit. I take it back.

19 Okay. Jan is going to be presenting on
20 behalf of USDA, and --

21 MR. LEWANDROWSKI: Changes in carbon stock.

22 MR. BROOKMAN: Thank you. Changes in carbon
23 stocks.

24 Please be -- gentlemen, as a matter of
25 courtesy.

1

2

Changes in Carbon Stocks

3

Jan Lewandrowski

4

(PowerPoint presentation)

5

6

MR. LEWANDROWSKI: A couple of preliminary comments. First, as an economist, I'd like to thank Ray for that equation.

7

8

(Laughter)

9

10

MR. LEWANDROWSKI: It was a moment of extreme clarity for me anyway.

11

12

13

Second of all, I'd like to invite all of you to a workshop on May 5th dealing with the 1605(b) program but focused solely on agriculture and forestry.

14

15

16

We'll be going through a lot of examples there and applications, so all of these things should be quite clear at that point for those industries.

17

18

19

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21

22

Yesterday, at the session on agriculture and forestry emissions inventories, we actually drifted into a lot of topics that dealt with carbon sequestration. So I know there's a lot of interest in talking about it. I'll be brief here, and we can then open it up to discussion.

23

24

25

The 1605(b) guidelines provide a number of options for registering reductions, as we're now well aware. Fortunately, for our carbon storage, we don't

1 have to rely on emissions intensity or the absolute
2 ones when it comes to carbon storage. It is the
3 absolute change in carbon stock.

4 We do want to stress it's not a change in the
5 rate of carbon sequestration. The registered
6 reductions reflect an annual change in carbon stocks.

7 When you deal with sequestration in
8 terrestrial systems, there is always the question of
9 what is going to happen over time. Conceivably, an
10 entity could be growing a forest or doing a practice
11 like no-till, building carbon stocks over a period of
12 time. So the question comes up as to what mechanism
13 does the program have to ensure these stocks are
14 maintained.

15 It comes in two forms. The first part is
16 that the system requires continuous reporting. You
17 have to report every year. Then the second part comes
18 in the form of how you report, which is an entity in
19 the case of a large emitter. Large emitters must
20 register their -- they must continue to report -- oh,
21 wait a minute. Excuse me. I'm jumping there.

22 It is registered every year, and then, excuse
23 me, if the carbon shows a negative balance in any given
24 year, you're going to have to make it up. So you're
25 going to report every year. If it's positive, you

1 would get an emissions credit or a registered emission
2 reduction. If you go negative, you will have to report
3 it but you won't get a registered emission reduction.

4 The losses can occur from two causes. They
5 can be either the result of a natural disturbance or
6 the decisions of the entity to just manage it in a
7 different way. Either way, you're going to have to
8 report to the system and you will not be allowed to get
9 additional carbon credits or additional emissions
10 reductions until you have made up that lost balance.

11 However, in the case of a natural
12 disturbance, you can report it to the system that it
13 was as the result of a natural disturbance and in that
14 case get an official record that in fact it was nothing
15 that you did.

16 All right. Here is the slide I thought I was
17 on.

18 The question comes up, can a landowner switch
19 around practices and in that way receive reductions
20 without actually accomplishing a real reduction. The
21 answer is no. Why? This is where it comes into how
22 they report. Large entities must provide a
23 comprehensive reporting system. So while you would get
24 -- in one part of your report you would show the carbon
25 associated with the sequestration. In another part of

1 your report, you would show the emissions associated
2 with other activities.

3 Consider the case, for example, of an entity
4 that has, say, 200 acres of forest and 200 acres of
5 bare land. They decide to put bare land into forest,
6 which is going to accumulate carbon, and then they
7 decide to harvest the trees on the other. Well, there
8 are going to be emissions associated with that
9 activity. In the case of a large entity, you would
10 have to have both of those activities reported, and
11 there would be a netting out.

12 In the case of small entities or small
13 emitters, small emitters can report solely on the
14 sequestration activity. However, they're going to have
15 to provide an assurance or certification that in fact
16 that activity is not offset with emissions in other
17 parts of its operations.

18 For those of you who are familiar with the
19 sequestration literature and discussions, this is
20 called the leakage issue, where something you do causes
21 a sequestration in one area but there's a related
22 activity that results in emissions. 1605(b) being
23 limited to entities at least addresses the leakage
24 issue within the entity.

25 Finally, yesterday we discussed a number of

1 special circumstances that forest and agricultural
2 entities are likely to encounter. One of those was of
3 incidental lands. There were wood products and then I
4 think there were the natural losses. We would like to
5 introduce one more special case right now, which is
6 forest preservation.

7 This particular one we are most interested in
8 getting your comments on because it is somewhat unique
9 in the program. It is unique in that this particular
10 provision tries to protect an existing stock of carbon.

11 It tries to prevent it from becoming an emission.

12 With respect to forest preservation, you
13 could conceive of an entity that owned an existing
14 forest. It could be growing. It could be a full and
15 accumulating carbon at the same time. So in order to
16 register the reductions associated with the increase in
17 carbon, you could do that, but in order to encourage
18 you to keep the land in forest, you would have to put
19 the land under a permanent easement or somehow have a
20 deed restriction that would limit the use of the land
21 and ensure that the conservation practices were
22 maintained.

23 In that case, for the carbon that was already
24 on the land during the base period, you would be
25 allowed to register 1/100th of the base carbon. If you

1 look at a fully grown forest, if you look at the look-
2 up tables in the guidelines, for many of those the
3 annual increment you would get is real similar to what
4 you would get in a growing forest. So it's a fair
5 tradeoff.

6 I think that's about the last slide we have.

7 I know there's a lot of interest in this one, so I'm
8 going to just open it up.

9 MR. BROOKMAN: Questions for Jan.

10 Please, Eric.

11 MR. HOLDSWORTH: Eric Holdsworth, Edison
12 Electric Institute. Back on the natural disturbance
13 question, so there is a forest -- let's say you are an
14 entity in which the changes in carbon stock is just one
15 element of your reporting. You've got forest lands but
16 you've got other operations. So you're not just solely
17 relying on the carbon. That is not the only thing
18 you're reporting.

19 If you have this disturbance and you make
20 note of this in your report, now the registered
21 reductions you already have remain valid. You just
22 can't get additional registered reductions until you
23 replace that carbon stock.

24 MR. LEWANDROWSKI: Right.

25 MR. HOLDSWORTH: But does that impact the

1 total entity's reductions or registered reductions, or
2 does it just impact their changes in carbon stock
3 registered reductions?

4 In other words, if you have --

5 MR. LEWANDROWSKI: As I understand it, it's
6 at entity level that you report. When the entity level
7 emissions fall, you have to make those up. DOE could
8 have corrected me if they were here, but -- right.

9 (Laughter)

10 MR. BROOKMAN: So, Jan, repeat what you think
11 to be the case.

12 MR. LEWANDROWSKI: I think it would be the
13 case that you report at the entity level -- I mean, at
14 the, yes, entity level of which your sequestration is
15 one component. The sequestration dropped. Therefore,
16 your emissions report -- you lost -- you fell below
17 your emissions reductions. You would have to make
18 those up, but it would be at the entity level. All
19 things --

20 MR. FRIEDRICHS: Exactly, that's right.

21 MR. LEWANDROWSKI: Exactly. All things are
22 combined.

23 MR. HOLDSWORTH: Just to follow up to clarify
24 that. So if I've achieved registered reductions from
25 other activities -- maybe as a generator, I've, you

1 know, improved my overall performance. But if I have
2 this natural disturbance on forest lands I might
3 manage, then I could face the possibility of not being
4 able to register any additional reductions from any of
5 my operations until I replace all the carbon stock lost
6 from the natural disturbance back to the base period
7 level.

8 MR. LEWANDROWSKI: It would be the emission
9 -- the registered reductions. It wouldn't have to --
10 I believe. I'll let DOE handle that one.

11 MR. BROOKMAN: Mark Friedrichs.

12 MR. FRIEDRICHS: That's an obvious concern
13 that you might have, and I think that's the way the
14 guidelines are drafted.

15 MR. BROOKMAN: Restate the way they are
16 drafted.

17 MR. FRIEDRICHS: That is that if you
18 experience a natural disturbance which destroys your
19 forest essentially and therefore you've suffered a net
20 -- a significant net emission from your forest lands,
21 that is included in your entity-wide assessment of net
22 reductions and might increase your entity-wide
23 emissions for that year. That increase would have to
24 be made up before you could register additional
25 reductions.

1 MR. BROOKMAN: Thanks for that clarity.

2 Yes, Ed. Your name for the record.

3 MR. SKERNOLIS: You've defined sequestration
4 as only the removal of atmospheric --

5 MR. BROOKMAN: Ed, please say your name for
6 the record.

7 MR. SKERNOLIS: Ed Skernolis with Waste
8 Management.

9 MR. BROOKMAN: Thank you.

10 MR. SKERNOLIS: You've defined sequestration
11 as only the removal of atmospheric carbon.

12 MR. LEWANDROWSKI: That's the way terrestrial
13 systems do it, yes.

14 MR. SKERNOLIS: But when it comes to managing
15 carbon-based waste, that breaks down a little bit. Let
16 me give you a specific example.

17 CO2 emissions from the management of waste
18 are considered biogenic methane emissions from the
19 management of waste in the landfill, even though that's
20 a biogenic process and considered anthropogenic. Yet
21 most of the carbon that goes in the landfills isn't
22 going to be emitted as methane is going to be retained
23 in the landfill as carbon storage -- what's the term.
24 But we're not allowed to count that.

25 MR. LEWANDROWSKI: You are -- that was

1 yesterday's topic under the inventory.

2 MR. SKERNOLIS: I'm sorry. I missed it.

3 MR. LEWANDROWSKI: That's how we handled wood
4 products. The wood products that you could harvest off
5 this land are recognized in the program as having a
6 significant portion of them that end up being
7 sequestered either in long-lived products or in
8 landfills. You can make adjustments in the emissions
9 associated with harvests that give you credit for that.
10 There are a couple of different methods you can do
11 that.

12 MR. SKERNOLIS: Who gets the credit for that?

13 MR. LEWANDROWSKI: The landowner.

14 MR. SKERNOLIS: The landowner who generates
15 the wood product?

16 MR. LEWANDROWSKI: The landowner whose land
17 grew the trees. The 1605 --

18 MR. SKERNOLIS: Well, with all due respect, I
19 would like to see your authority to assign that
20 attribute to the person -- they don't make the decision
21 on what happens to the waste product.

22 MR. LEWANDROWSKI: No, the 16 --

23 MR. SKERNOLIS: I'm talking about the waste
24 product here, not the consumer product. I'm talking
25 about the waste materials.

1 MR. BROOKMAN: Bill Hohenstein.

2 MR. HOHENSTEIN: I think you're raising a
3 valid point about the attribution of that carbon and
4 questions about it. The decision had to be made to
5 place it somewhere within the reporting system, and it
6 was viewed to be the simplest to attribute that to the
7 point at which the carbon was generated, the landowner.

8 I think, you know, we're open to comments on
9 that. I think when you try to track biogenic carbon
10 through the product life and through until disposal, it
11 gets extremely complicated because it's the actual
12 carbon that gets transferred from one owner to another
13 to another. So as an office would buy paper, they
14 would be buying carbon. As they recycled paper, they
15 would be transferring carbon.

16 So the implication of doing what you are
17 proposing actually increases the complexity of the
18 system quite dramatically.

19 MR. SKERNOLIS: If I may comment, I think
20 that's very debatable. Once a carbon-based product
21 enters the waste stream, three things are going to
22 happen to it. It is either going to be burned, it is
23 going to be reused, or it is going to be landfilled.
24 They all have different carbon emission consequences,
25 and the decisions that are made with that material have

1 nothing to do with the original generator of the wood
2 or wood product.

3 Those decisions are all being made by persons
4 responsible for managing that waste. In some cases, it
5 is a municipal government. In some cases it is a
6 private entity such as ours.

7 If we are putting large stores of carbon into
8 the landfills, that is carbon storage, pure and simple.

9 It may sit there for thousands of years, longer than
10 some of those trees will ever last, as carbon storage
11 in that landfill. We made the decision to put it in
12 that landfill rather than release it instantly through
13 combustion. Or we may make the decision to recycle it
14 and reuse it and keep it in storage in the recycled
15 product.

16 MR. BROOKMAN: Bill Hohenstein.

17 MR. HOHENSTEIN: Now, again, you are raising
18 valid points. I think that the limitation of the way
19 that we have proposed to address products is that you
20 don't necessarily provide incentives to change the
21 management of those wood products. It is that you are
22 basically assuming that the wood products are all
23 treated the same.

24 So you are raising a good point there.
25 Again, there are tradeoffs between that and the

1 complexity of the overall system.

2 MR. BROOKMAN: Miriam, let's let Sergio
3 follow on.

4 Go ahead, Sergio, and then I'm coming to
5 Miriam.

6 MR. GALEANO: That point that has been made
7 now is a very good point. The answers to that
8 conundrum that we have here are not really
9 satisfactory. We as manufacturers of forest products
10 have the same problem. Expediency in a calculation or
11 misconstrued expediency in a calculation -- because
12 there are other methods that are very easy and very
13 accurate -- is no reason to completely deprive
14 different industrial sectors and the waste management
15 sectors of the same right that has been given only to
16 them.

17 In other words, when you go to 308(k) -- and
18 I was told yesterday that those are not considerations
19 of value because there have been political reasons to
20 do it a certain way. That encouraged me because
21 politics changes all the time.

22 But the fact that something happens by a
23 natural process in a given place doesn't define the
24 reduction. We are talking here about reduction. The
25 reduction is just a decision made by the timber owner

1 and by the manufacturers about how to increase the
2 carbon pool. That goes, of course, to the waste stream
3 and the landfills, too.

4 MR. BROOKMAN: Did you wish to comment, Jan?

5 MR. LEWANDROWSKI: I would reiterate Bill's
6 point that there are ways to improve it. Comments
7 would be welcome.

8 I think it is also -- the comments would be
9 tailored as to how to improve it in your situation,
10 because there are a lot of, I think, probably large
11 chunks, maybe. Most of these wood products' wastes
12 would be in the form of like newspapers and cardboard
13 and what not which are generated throughout -- you
14 know, consumers are never going to claim any of the
15 credits. This way I think we are getting -- probably
16 on average we are getting most of it in the system.

17 However, I can understand your point that
18 when you personally or your company is personally
19 putting a large quantity in that you would like credit
20 for it. Maybe DOE can find a way to make that
21 adjustment.

22 MR. SKERNOLIS: I don't mean to be flip, but
23 go all the way. If they own the carbon storage, then
24 they should own the methanes that it produces when it
25 degrades, too. What you have done is you have shifted

1 the methane generation to the landfill operator and you
2 have said that the carbon storage belongs to the guy
3 who made the product.

4 MR. LEWANDROWSKI: I wouldn't imply you were
5 being flip. I would just include that in the comment.

6 MR. BROOKMAN: That was Edmund's comment
7 last, followed by Jan.

8 Hang on, Miriam.

9 Mark Friedrichs.

10 MR. FRIEDRICHS: Just a general comment, and
11 that is that this comment raises an important point
12 that comes up in a variety of areas where the
13 guidelines are trying to assign responsibility for
14 emissions and emission reductions in a way that is
15 clear and minimizes the possibility of double-counting
16 throughout the system.

17 The treatment of wood products is an area
18 where there are lots of people who are affecting this
19 process from the time the tree is grown to the time
20 that it's disposed of, burned, or whatever. We want to
21 establish clear guidelines for who is responsible for
22 what.

23 MR. BROOKMAN: Miriam is next, and then I
24 will return to this side of the room.

25 MS. LEV-ON: Excuse me. Miriam Lev-On. I

1 wanted to follow up on this not so much on a waste
2 product but a lot of things that are happening in the
3 petroleum industry, especially with use of biofuels, in
4 which products like corn or seed or others are grown
5 specifically in order to be converted to a biofuel.
6 How would the crediting be done in these kind of
7 situations?

8 MR. LEWANDROWSKI: I believe biofuels are
9 another section, aren't they?

10 Yes, they're handled -- there is a section of
11 the guidelines explicitly dealing with biofuels.

12 MS. LEV-ON: Okay. So I --

13 MR. LEWANDROWSKI: They are not handled in
14 the sequestration component.

15 MS. LEV-ON: But there is an offset by --

16 MR. LEWANDROWSKI: Absolutely, absolutely.

17 MS. LEV-ON: -- from the sequestration of the
18 carbon in the growing of the material that is going
19 into the production of the biofuel.

20 MR. LEWANDROWSKI: As I understand the
21 biofuels component, the major credit there is because
22 you are replacing -- in the energy sector, you are
23 replacing like a fossil fuel with essentially a
24 recycling of carbon. You know, it goes in --

25 MS. LEV-ON: Well, it is not necessarily

1 replacing. You might be extending the stock by putting
2 in 10 percent ethanol. You just have 10 percent more
3 gasoline, not necessarily replacing it.

4 That was one question. The other question
5 has to do with incidental lands, the management of
6 incidental lands, which is like typical for pipeline or
7 for oil and gas type of production.

8 I understand that reporters can just state
9 that there was no change in --

10 MR. LEWANDROWSKI: Correct.

11 MS. LEV-ON: -- in their carbon stock. They
12 don't have to do anything.

13 MR. LEWANDROWSKI: They also have to certify
14 each year. I mean, you have to describe what the lands
15 were. For instance, a right of way.

16 MS. LEV-ON: Like west Texas.

17 MR. LEWANDROWSKI: A pipeline alley. Yes,
18 west Texas, right. Incidental, right.

19 (Laughter)

20 MR. LEWANDROWSKI: Once you've described what
21 it is and certified that the land use hasn't changed,
22 yes, you can assume that there are no emissions
23 associated with that land.

24 MR. BROOKMAN: Paula.

25 MS. DiPERNA: Just, again, another wordsmith

1 point. Taking credit, getting credit. I just want to
2 be clear that that is not the same as tradable
3 commodity and any other value statement. I want to
4 echo what Waste Management said with respect to the
5 complexity of this.

6 MR. BROOKMAN: Thank you.

7 Sergio, I believe you are next.

8 MR. GALEANO: Just a point to clarify this
9 supply chain and how difficult it will be when a
10 product goes downstream. There is a simplification
11 with a second value. In the same way that somebody is
12 trying to arbitrarily put all the rights on the timber
13 owner, I would say that the supply chain is interrupted
14 at the moment that the rest of the supply chain does
15 not have to start reporting emissions.

16 A manufacturer of a wood product or the
17 manufacturer of an agricultural biofuel, for example,
18 has to register in a complete registry the emissions in
19 their manufacturing. Nobody is taking our emissions
20 for our manufactured forest products and taking
21 responsibility for that. We can make -- very gladly we
22 would make the exchange any moment. I think that I can
23 sign for my company if somebody takes all my emissions
24 because of that.

25 But otherwise, it's completely arbitrary and

1 very damaging to entire manufacturing sectors this
2 simplification, and that has to be reconsidered very
3 seriously.

4 MR. BROOKMAN: Thank you.

5 Follow-on? No follow-on.

6 Okay. Final or additional comments and
7 perhaps final comments on these sequestration issues.

8 Please. Michael.

9 MR. WILLIAMS: This is Mike Williams with
10 First Energy. I have a question that relates to using
11 a third party or an aggregator to register carbon
12 credits as it relates to sequestration.

13 It is my understanding that the way the
14 guidelines are set up, if we choose as a utility -- if
15 we are involved in a number of small projects, instead
16 of having us go out and actually, you know, register
17 those credits ourselves, if we choose to have a third
18 party or an aggregator -- and it might be in a
19 partnership with other companies, too.

20 If we choose to have them actually register
21 the credits, it's my understanding that they have to
22 register those as an entity and there is no way to
23 transfer those credits to the partners or to, you know,
24 me as a utility. I guess, is that the way it is set
25 up?

1 MR. LEWANDROWSKI: That is an aggregator
2 question.

3 MR. WILLIAMS: If it is set up that way, have
4 you considered, you know, putting something in the
5 guidelines that would allow a third party or an
6 aggregator to actually register the credits and then
7 give a percentage of those credits -- you know,
8 disseminate those out to a partnership.

9 MR. FRIEDRICHS: The way the guidelines are
10 drafted, the aggregator is the direct reporter to DOE.
11 So it compiles all these reports from the small
12 emitters, for example, and then submits them to DOE.
13 It is recognized for the registered emission
14 reductions.

15 What it does with those registered emission
16 reductions is up to it. It can transfer them through a
17 private transaction. But EIA or DOE's involvement
18 stops with the recognition of the aggregator for the
19 registered emission reductions.

20 Now, of course, you can structure it so that
21 First Energy or whatever is actually the reporter. You
22 might have a contractor or a consultant or someone who
23 does some of that paperwork essentially but that First
24 Energy reports that to DOE as offset reductions. Then
25 you would be recognized directly.

1 MR. BROOKMAN: Okay. Yes, Hunter.

2 MR. PRILLAMAN: I just think it is really
3 important in the guidelines that you make clear the
4 distinction between registered reductions and credits.
5 These aren't credits.

6 PARTICIPANT: Correct.

7 MR. FRIEDRICHS: The problem is in our
8 speaking in workshops and not in the guidelines. I
9 think we are pretty consistent throughout the
10 guidelines. These are registered reductions and
11 nothing more.

12 MR. PRILLAMAN: Just to follow up on that, I
13 mean, there is a whole -- obviously people are
14 concerned about whether they own them or what they
15 actually are. I think that needs to be as clear as
16 possible.

17 MR. BROOKMAN: Other comments on these
18 sequestration issues?

19 Pankaj.

20 MR. BHATIA: Pankaj from WRI. It's not on
21 sequestration, but if I can have a follow-on on this
22 registration of reductions issue.

23 The question I have is, if a party that has
24 registered reductions -- first of all, can that party
25 sell those reductions or offsets? Or, if they sell

1 those reductions as offsets, can they still register
2 them? Or, if they sell part of those reductions as
3 offsets, can they register the rest of the reductions?

4 MR. FRIEDRICHS: I'm not sure I followed
5 that. The --

6 MR. BROOKMAN: Let's let him restate it.
7 Restate the question.

8 MR. BHATIA: If a party has, say, 1 million
9 tons of reductions.

10 MR. FRIEDRICHS: Right.

11 MR. BHATIA: And they sell 500,000 tons
12 reductions as offsets, can they just register 500,000
13 tons and not the other --

14 MR. FRIEDRICHS: That is possibly a
15 limitation of the current guidelines as drafted. They
16 envision an offset reduction being reported by a
17 primary reporter, not directly to DOE. They envision
18 that report being for the entity rather than just a
19 part of the entity. So you can imagine for small
20 emitters a bunch of distinct offset reductions being
21 reported by different large entities.

22 But for a large entity who wants to produce
23 an offset reduction, the guidelines don't provide for
24 splitting up that large entity. They need to establish
25 their reductions on an entity-wide basis. Offset

1 reductions aren't a way of kind of circumventing the
2 entity-wide requirements. I'm not sure if that's
3 clear.

4 So they have to be transferred in -- they
5 have to be reported as a single unit.

6 MR. BROOKMAN: Okay. Other comments?

7 Yes. Your name.

8 MR. SHIDELER: John Shideler, NSF-ISR. So if
9 an entity registers 1 million tons of reductions, and
10 then in a private transaction during the course of the
11 following year sells half of them, the following year
12 when they do their report, do they need to report in
13 their inventory report to DOE that they have sold the
14 right to half of their registered reductions?

15 MR. FRIEDRICHS: No. They continue to report
16 on their whole entity and all of their reductions. The
17 transaction of the sale of part of their registered
18 reductions to some other entity is strictly a private
19 transaction and it is not recognized by the program.

20 MR. BROOKMAN: Yes. Hunter.

21 MR. PRILLAMAN: Just to close the loop on
22 that, the person who buys that really can't do anything
23 with it either in your program; is that right?

24 MR. FRIEDRICHS: Right. The person who buys
25 it isn't recognized as the owner under our program.

1 That transaction is purely a private one outside the
2 boundaries of the program.

3 MR. BROOKMAN: Yes. Eric.

4 MR. KUHN: To follow up on the question that
5 was asked by the representative of First Energy -- Eric
6 Kuhn with Synergy.

7 MR. BROOKMAN: Thank you.

8 MR. KUHN: If an entity -- and not
9 necessarily an entity as defined here in the guidelines
10 -- but an entity wants to provide all the information
11 concerning what is needed to register a reduction, has
12 a partnership of companies involved in it, can each of
13 those companies use that information to register a
14 portion of those reductions as including it as part of
15 their entity reporting?

16 MR. FRIEDRICHS: I think it has to do with
17 the -- with how those parts of the entity are defined.
18 If they can be defined as separate entities and --

19 MR. KUHN: Well, that partnership of
20 companies makes up the entity. Power Tree Carbon
21 Company, LLC, for instance, who has a number of
22 sequestration projects that roll up all of the
23 reductions based on planting and the growth of trees in
24 those projects. You know, the example that was used is
25 and the answer I heard was that entity, Power Tree

1 Carbon Company, would have to register those, but all
2 the companies that are in that partnership couldn't use
3 those as offsets in their own reports.

4 MR. FRIEDRICHS: Right.

5 MR. KUHN: But if that entity did all the
6 work, provided all the information to the partner
7 companies, instead of registering him as an entity,
8 couldn't each of the individual companies register
9 their portion of those reductions?

10 MR. FRIEDRICHS: Yes, I think so. I think --

11 MR. KUHN: By providing the same information
12 but only for a portion of those reductions that they
13 own based on their ownership of the partnership.

14 MR. FRIEDRICHS: The equity share.

15 MR. KUHN: Yes.

16 MR. BROOKMAN: Can you restate --

17 MR. FRIEDRICHS: Perhaps we can have an
18 offline conversation.

19 MR. KUHN: Okay.

20 MR. FRIEDRICHS: I'm not sure I really fully
21 understand.

22 MR. KUHN: We'll have the offline
23 conversation.

24 MR. FRIEDRICHS: Again, the basic principle
25 is that any offset reduction needs to meet the same

1 types of entity requirements that reporters directly
2 reporting to the program have to meet.

3 But those entities that produce offset
4 reductions cannot report directly. They have to --
5 they are reporting indirectly.

6 MR. BROOKMAN: Let me clarify. Mark, do you
7 have one more set of slides to do?

8 MR. FRIEDRICHS: Yes. Action-specific.

9 MR. BROOKMAN: So I want to go there very
10 shortly.

11 Edmund.

12 MR. SKERNOLIS: A very quick comment. It
13 seems to me you ought to consider when addressing the
14 issue of transactions concerning registered credits
15 whether those transactions were performed for offset
16 programs or whether, you know, state-regulated
17 programs, that you can deal with them as if they were
18 subentity movements of business lines.

19 I don't think you would have an accounting
20 problem if one company was selling a line of credits to
21 another company. You deal as if they were selling a
22 business for registration purposes and you adjust the
23 baseline accordingly for both entities, and your
24 accounting would be consistent across the board.

25 MR. BROOKMAN: So that kind of elegant

1 potential solution would be welcomed in writing, if
2 that's what you are proposing.

3 Yes? That is the end of those? Are you
4 ready to cue up the last slide presentation?

5 MR. FRIEDRICHS: Okay.

6 (Pause)

7 MR. FRIEDRICHS: I need to improve my
8 PowerPoint skills. I'm sorry.

9 Here we are, finally.

10 Action-Specific Methods

11 Mark Friedrichs

12 (PowerPoint presentation)

13 MR. FRIEDRICHS: Projects. Action-specific
14 reductions. This, as we mentioned before, has been the
15 focus, actually, of the reports under the existing
16 program. DOE has received thousands of individual
17 project reports. It is a very different focus for
18 identifying emission reductions than the entity-wide
19 focus, which is the emphasis of the new program.

20 However, we have not abandoned entirely the
21 use of action-specific measures. They have, however, a
22 more limited and defined role. One, the guidelines
23 specify that action-specific measures should be used
24 for entity-wide reporting only when none of the other
25 methods are feasible or appropriate. We can certainly

1 envision a number of circumstances where that may be
2 the case.

3 But in general, the preference is to use one
4 of the other methods, whether it be emissions intensity
5 or absolute changes in carbon stock or avoided
6 emissions.

7 The other case, however, is when entities
8 want to report reductions, not register reductions.
9 Many entities may continue to use the project-based
10 method for such reporting. So we will have guidelines
11 and forms that can accommodate that.

12 We do have a number of special circumstances
13 which I will talk about a couple of examples, such as
14 landfill gas recovery, where whenever that circumstance
15 comes up we need to use the methods identified in this
16 particular part of the guidelines.

17 I first wanted to talk about the generic
18 requirements for action-specific reports. Each action
19 must be identified and described. Base periods and
20 base values must be identified. They must be
21 consistent with the other parts of your report.

22 Base values may be either total emissions
23 from certain identified sources, such as landfills or
24 coal mines as identified in the guidelines, or they may
25 be some kind of emissions per unit of output. That

1 intensity metric may be either measured or in some
2 cases it may be estimated based on the performance of a
3 particular technology, such as a lighting system.

4 And as I indicated, base periods need to be
5 clearly identified, and the reduction year emissions --
6 the base period and reduction year emissions may be
7 estimated based on the documented performance of the
8 technology. Essentially, it often turns into a kind of
9 emissions intensity type of calculation for a specific
10 action with a particular base period or a base
11 technology and the new technology.

12 And continuous monitoring and reporting on
13 the actions is required, so it is not a one-time thing.

14 Once you choose to report an action-specific
15 reduction, you need to continue to report on the
16 performance of that measure annually.

17 Why don't I pause here and see if people have
18 any general questions about this very generic
19 methodology for action-specific reductions.

20 MR. BROOKMAN: Formerly characterized as
21 projects. Projects.

22 Yes. Pankaj.

23 MR. BHATIA: Pankaj from WRI. The question I
24 have, Mark, is if a company can calculate total
25 emissions from these activities, then will they not

1 include them in their entity-wide emissions inventory?

2 And if they would, then can they not use the other
3 approaches, the intensity-based or absolute-based
4 approach? Why would you need then this -- if they are
5 already including this in their emissions inventory?

6 MR. FRIEDRICHS: Right, of course. This can
7 only be used if for one reason or another you can't
8 include -- you can't use an emissions intensity or an
9 absolute emissions method. It may not be possible to
10 -- you may not have a good output metric that could
11 be used for a facility or subentity essentially. You
12 may be experiencing declining output in an area which
13 may prevent you from using absolute emissions. These
14 are a couple of different reasons why you may need to
15 identify action-specific reductions.

16 But nevertheless, the action-specific
17 reduction is treated as a subentity itself. So you
18 need to report the emissions associated with that
19 subentity as well as the reductions that you estimate,
20 and that is treated in entity-wide reports as just
21 another subentity.

22 So it's conceivable that you might have a
23 variety of different projects that are included in an
24 entity-wide report that also included reductions
25 determined using emissions intensity metrics or

1 absolute measures.

2 So again, it's a compilation of reductions
3 that may be achieved from a variety of different
4 measures.

5 MR. BROOKMAN: Question. Your name, please.

6 MR. BROEKHOFF: Derik Broekhoff, also from
7 WRI. I have a question about the determination of the
8 base value. Just to give a hypothetical example, let's
9 say I'm planning a new building. If I want to install
10 -- use an energy efficient design or install other
11 sorts of energy efficiency measures and claim the pre-
12 task gas reductions resulting from those measures, how
13 would you define the base period for something like
14 that?

15 And if it's a matter of defining what the
16 base technology for that building would be, say the
17 less energy efficient version, what methods or
18 requirements are in place for how you would go about
19 defining what that base technology would be?

20 MR. FRIEDRICHS: For a new facility. Good
21 question. I'm not sure that the guidelines really
22 answered that. It's not really -- it's intended
23 primarily as an action that is taken to reduce the
24 emissions of an existing facility. So a modification
25 to an existing facility -- or it could be a vehicle

1 fleet, it could be a production process -- where you
2 have a record.

3 I'm not sure that we accommodate a situation
4 where you are essentially expanding your entity by
5 constructing a new facility. I'm not sure it's
6 appropriate in that kind of application.

7 MR. BROOKMAN: Yes. Daniel.

8 MR. KLEIN: Dan Klein, Twenty-First
9 Strategies. On the Federal Register notice on page
10 15167, there's a short list of items that have in the
11 past been reported to the 1605(b) Program which you say
12 generally would not be reportable, and that includes
13 DSM programs, coal ash reuse, material recycling, and
14 several others.

15 Could you elaborate on why those aren't
16 reportable? And similarly, what level of proof or
17 evidence would be needed to make that a reportable
18 project?

19 MR. BROOKMAN: You're referring to the very
20 bottom of the page, right here.

21 MR. FRIEDRICHS: Most of these examples
22 concern reductions that occur outside the boundaries of
23 the entity. So to the extent that they would be
24 reportable, they would have to be reported as offset
25 reductions. You would have to identify the entity that

1 was actually experiencing a reduction in emissions.
2 That is as the guidelines are drafted.

3 One example, which I want to at least spend a
4 moment on, and that is coal ash reuse, is a good
5 example. To the extent that utilities recover coal ash
6 and it is ultimately used as a substitute for cement,
7 the reduction in emissions occurs mainly in the plant
8 that would have produced the cement that it has been
9 substituted for.

10 So there is no entity that is really involved
11 in the production and use of fly ash that actually
12 experiences an emission reduction. And that's one of
13 the problems in this case.

14 So it's an example where we may want to
15 develop special procedures. It is not a case of
16 double-counting. It is a question of how can we
17 recognize this kind of emission reduction when the
18 entity that is actually experience -- it is almost an
19 avoided emission, for example, but it is a special
20 category of avoided emission.

21 Right now, the guidelines don't provide a
22 mechanism for reporting that reduction. Perhaps they
23 should.

24 MR. BROOKMAN: Dan, do you want to follow on?

25 MR. KLEIN: Well, I was going to say, in the

1 case of coal ash, it seems to me it is more
2 conceptually similar to a green power producer, where
3 someone is producing wind power and putting it into the
4 grid. In this case, a producer of the coal ash, by the
5 act of selling that into the marketplace to a ready-mix
6 producer is putting in a lower GHD-intensive product.

7 MR. FRIEDRICHS: You're exactly right. I
8 think it is parallel in many ways to avoided emissions.
9 It is just not a category of avoided emissions that we
10 recognize under the guidelines. That is not to say
11 that we couldn't, though. We might be able to.

12 MR. KLEIN: I will take that as a challenge.

13 MR. BROOKMAN: Thank you. Thank you.

14 Bill, did you have a question? Bill Fang.

15 MR. FANG: Bill Fang with the Edison Electric
16 Institute. A follow-on to Dan Klein's points. We
17 really think there should be incentives for these kinds
18 of activities. We're talking about utility-sponsored
19 DSM and coal ash reuse. These are activities which
20 reduce greenhouse gases, or avoid them, as Mr.
21 Friedrichs put it.

22 So we think that not only should they be
23 recognized but the government should provide incentives
24 because that is the whole point of this exercise, to
25 incent voluntary activities and then report them.

1 MR. BROOKMAN: Thank you.

2 MR. FRIEDRICHS: I think we would agree. I
3 think we are looking for practical methods to do so.

4 MR. BROOKMAN: Your name, please.

5 MR. CORTINA: Tom Cortina, the International
6 Climate Change Partnership. There is a discussion
7 right after that on 15168 that has to do with products
8 that I think is very similar to this case, energy
9 efficient products sold mostly to consumers who
10 wouldn't then report those reductions. It is an area
11 we are very interested in and also have seen the
12 guidelines cover. I wanted to make a comment on that.

13 MR. FRIEDRICHS: Yes. The offset emission
14 reduction procedures that we discussed about before are
15 pretty cumbersome, too cumbersome to accommodate the
16 reporting of, for example, reductions resulting from
17 demand site management activities that support a broad
18 range of actions by homeowners or other small
19 consumers.

20 Similarly, the offset reductions aren't
21 really appropriate for use by manufacturers of high
22 efficiency appliances or equipment that may well
23 generate reductions also by small users, homeowners, or
24 small businesses.

25 We are looking for practical ways of trying

1 to recognize these types of emission reductions in a
2 way that ensures that we are not double-counting, that
3 we do assign responsibility appropriately for those
4 reduction actions.

5 MR. BROOKMAN: Do you want to proceed with
6 the rest of your slides?

7 MR. FRIEDRICHS: Sure. Let me talk just very
8 briefly about the landfill methane procedures. There
9 is no easy and perhaps best way of recognizing
10 reductions resulting from the recovery of landfill gas.

11 The procedure identified in the guidelines is the
12 establishment of the base period that reflects the
13 recovery of gas in the base year. The reduction is any
14 increase in that gas recovery that occurs over time,
15 and the difference between the base period recovery and
16 the reporting year recovery is the reduction.

17 This is a simple method. These are
18 quantities that can be easily determined by any
19 landfill operator.

20 However, it is not necessarily an ideal
21 measure because obviously if a landfill operator is,
22 let's say, experiencing a gradual decline in its
23 landfill operations, its emissions from those landfills
24 will over time be declining and its gas recovery from
25 those landfills will be declining inevitably. That

1 would mean that it might appear that you have net
2 emissions essentially from landfills because the rate
3 of recovery is going down.

4 Similarly, a landfill operator may be greatly
5 expanding its activities, and in that case, its
6 emissions and recovery would be naturally going up.

7 So a similar approach is taken with respect
8 to coal mine gas recovery. Here again, if the problem
9 in having inventory methods that are sufficiently
10 reliable to really track the difference between changes
11 in emissions and changes in the rate of recovery.

12 Oh, actually, transmission and distribution.

13 I thought we had covered this elsewhere.

14 But here, once again -- I'm sorry?

15 PARTICIPANT: (Off mike)

16 MR. FRIEDRICHS: Sure.

17 MR. KLEIN: Dan Klein, Twenty-First
18 Strategies again. The example you gave for the
19 landfill where you are measuring the amount that you
20 are capturing each year and declining and calling that
21 an increase seems to be contrary with what is actually
22 happening in the real world.

23 If you were capable of measuring the
24 emissions from that landfill, whether or not it had a
25 recovery project, the actual emissions from that

1 landfill would be declining over time, just as you
2 said, because of the decay function of its contents.

3 The fact that you have a landfill gas
4 recovery project in place reduces it that much more.
5 So if you were to try and measure the landfill with an
6 inventory method, you would have a correct measurement
7 of the reductions.

8 So I'm straining to figure out how you can
9 get an increase when in fact the real world is showing
10 a decrease in emissions.

11 MR. FRIEDRICHS: All I'm saying is that you
12 would have a decrease -- let's say you improved your
13 recovery of gas from a landfill that was over time
14 experiencing declining emissions. So your rate of
15 recovery might be increasing, but your actual quantity
16 of recovered gas may be declining over time.

17 MR. KLEIN: But if we go back to emissions,
18 even if I had no project at all, I was recording the
19 landfill in my inventory, that inventory would show
20 declining emissions over time just because the rate of
21 methane generation declines over time.

22 MR. FRIEDRICHS: Right, right.

23 MR. KLEIN: So we are starting off with a
24 declining inventory over time. The fact that I have a
25 project in place just means it declines that much

1 faster.

2 MR. FRIEDRICHS: I'm not disagreeing. I'm
3 just wondering whether or not the guidelines as drafted
4 adequately credit --

5 MR. KLEIN: They seem to punish it.

6 MR. FRIEDRICHS: Right. That's what I'm
7 trying to point out, actually. And that it is a
8 deficiency in the current guidelines and I'm -- we're
9 struggling with a way of accommodating that. The
10 discussion on landfill gas inventories earlier pointed
11 out the fact that while we can quantify gas recovery
12 very specifically and accurately, it's much more
13 difficult to estimate reliably emissions from
14 landfills.

15 So pairing the two is extremely difficult,
16 whereas you might want to go towards some kind of rate
17 of recovery measure. Since you don't have an accurate
18 inventory measure, it's very difficult to do so now.

19 MR. BROOKMAN: Yes. Briefly, because I want
20 to get to the rest of this. Go ahead.

21 MR. GALEANO: One comment that perhaps might
22 help.

23 MR. BROOKMAN: Sergio.

24 MR. GALEANO: Sergio Galeano from Georgia
25 Pacific. One comment on this issue of methane flaring

1 in landfills. Sometimes the -- this base year
2 deduction from the reporting year does not necessarily
3 hold true, because when you are talking about what I
4 consider is a type of avoided emissions -- in other
5 words, you are going to flare and you are going to have
6 CO2 but you are not going to have methane. So you are
7 avoiding 21 minus one.

8 So because of that, once you have an avoided
9 emission, you can never have an emission out of an
10 avoided emission difference. They are avoided
11 emissions, period. I don't see how you can just change
12 that fact if you look at it that way.

13 MR. FRIEDRICHS: Okay. I'm not sure I
14 understand, but it certainly should be clear that the
15 CO2 emissions associated with flaring of landfill gas
16 recovered are considered climate-neutral under the
17 guidelines. You get a reduction associated with the
18 avoidance of methane emissions, and the quantity of
19 that reduction under the guidelines is the difference
20 between the rate of recovery in the base year and the
21 rate of recovery in the reporting year.

22 MR. BROOKMAN: So what I would like you to do
23 is finish with your slides so that we can --

24 MR. FRIEDRICHS: He wants me to move on and
25 quit. It's 10 to 1:00, and I think that's probably

1 appropriate.

2 MR. BROOKMAN: Move on so that we can finish
3 with final comments after that.

4 MR. FRIEDRICHS: Right.

5 MR. BROOKMAN: Okay.

6 MR. FRIEDRICHS: We had some discussion about
7 transmission and distribution in other sessions. This
8 is an area that the guidelines don't really adequately
9 cover on the inventory side. There is still some
10 debate about exactly how best to estimate these.

11 I understand that under the California
12 registry there are some new methods. I'm not sure that
13 these have been widely accepted and recognized, but
14 we're looking for appropriate ways of doing this.

15 We do recognize that there are opportunities
16 to measure the quantity of electricity that is going
17 through a transmission distribution network and
18 determining the total quantity of losses based on some
19 existing data. To the extent that those losses are
20 reduced over time, we have a method that enables
21 individual entities who want to take credit for those
22 reductions a way to do so.

23 And perhaps that is the only thing that needs
24 to be said on transmission and distribution.

25 I think, although I have identified some

1 issues for discussion, we have already covered many of
2 these. This might be an opportunity to ask for any
3 final questions or comments.

4 MR. BROOKMAN: Final questions or comments.
5 Miriam.

6 Once again, please say your name for the
7 record.

8 MS. LEV-ON: Miriam Lev-On on behalf of API.

9 I just wanted very briefly to address the issue of
10 coal mine gas recovery because I'm not clear yet on the
11 methodology on how adequate it is. I think we still
12 need to do some analysis on this, especially since
13 enhanced coal bed methane recovery is now coming into
14 vogue. The gas that is recovered is going into the
15 natural gas system for production in the U.S. A lot of
16 times we use CO₂, so there is an element of capture of
17 the CO₂ in that.

18 So this is just an area that we might need to
19 have separate discussions.

20 MR. FRIEDRICHS: Yes. I think it is a
21 complex area. Kind of a general point is that we are
22 only talking about gas recovery from coal mining
23 operations because that gas is gas that could well be
24 released into the atmosphere as methane. We are not
25 talking about gas recovery from coal seams that may

1 never be mined. We are only allowing the recognition
2 of increases in gas recovery from -- associated with
3 active coal mining operations.

4 MS. LEV-ON: So if we have production of
5 natural gas from enhanced coal bed, recovery from the
6 coal seams, then that would be reported with the rest
7 of the just natural gas production.

8 MR. FRIEDRICHS: Yes, exactly. If it is not
9 released at the time, it is not included in your
10 inventory.

11 MS. LEV-ON: Right. There is a CO2 capture
12 element.

13 MR. FRIEDRICHS: There may be a CO2 capture,
14 and that would have to be treated separately.

15 MS. LEV-ON: Thank you.

16 MR. BROOKMAN: Eric.

17 MR. HOLDSWORTH: Eric Holdsworth, EEI. I
18 just wanted to note for the record and in general,
19 obviously a lot of work has gone into the revision of
20 these guidelines and a very extensive amount of work
21 which is appreciated.

22 No one ever wants to make the -- be the enemy
23 of the good, but I have heard over the last day and a
24 half, at least myself almost a dozen times, government
25 officials indicating that there are areas of the

1 guidelines that need more work, they need additional
2 guidance, we need more input. Maybe they are not --
3 that areas, you know, are -- need strengthening, or
4 maybe they need a lot more work. There are tools that
5 are still not out, tools that might come out after the
6 guidelines are -- the comment period ends.

7 All of this is to say -- and nobody, you
8 know, wants, again, to create too much work, but all
9 this seems to indicate that there maybe should be
10 another opportunity to take a look at these guidelines
11 after all this input comes in. We are going to have to
12 comment within a month, and there are any number of
13 areas that have been identified that are clearly maybe
14 not ready for primetime.

15 So I'm just wondering if there might be some
16 process for coming back to some of this and looking at
17 these again when we have filled in some more of the
18 blanks and gotten some feedback.

19 MR. BROOKMAN: Thank you.

20 MR. FRIEDRICHS: Yes, just a general comment,
21 and that is that we are certainly never going to have a
22 perfect set of guidelines. We want to provide full
23 opportunity for review and comment, but we recognize
24 that whatever guidelines we come out with in the fall
25 or in that time frame are going to need further review

1 and improvement.

2 While we have identified a three-year cycle,
3 it may be appropriate to do an even shorter time frame
4 for some further improvements, depending on the state
5 of the guidelines when we issue them in final form,
6 hopefully later this year.

7 We have gotten a request for a 30-day
8 extension of the public comment period. We are going
9 to be considering that. I hope we make a decision
10 sometime in the next week or two, and we will provide
11 full notice by e-mail and on our Web of any extension
12 in that time period.

13 I certainly recognize that the technical
14 guidelines -- both on the inventory and on the
15 reduction side, but especially on the reduction side,
16 because a lot of this entity-wide approach is new,
17 totally new to you -- is going to take some time to
18 digest. So I encourage you to all read the guidelines
19 thoroughly and to stay tuned for more information on
20 our comment period.

21 And thank you very much for participating.

22 MR. BROOKMAN: We're coming to the close of
23 this workshop. I want to give everybody -- anybody
24 else who has a final comment to make, now would be the
25 occasion to do it.

1 Yes. Briefly if you can. Then I'm coming to
2 Paula next.

3 MR. LEE: Michael Lee from Exeter Associates.
4 This is related to the T & D that you just brought up
5 that just popped over the in the finals.

6 MR. BROOKMAN: Yes.

7 MR. LEE: But I wanted to share the idea that
8 the wholesale transmission operators are creating
9 systems to track attributes such as PGM, which has the
10 generator atrophy tracking system, so that individual
11 suppliers will trade certificates that include carbon
12 emissions and other emissions associated with power
13 plants.

14 And what is being developed around the
15 country in support of emission disclosure requirements
16 at the state level and renewable portfolio standards
17 may be another avenue that can be explored in support
18 of these draft guidelines.

19 MR. BROOKMAN: Thank you.

20 Paula.

21 MS. DiPERNA: I just want to compliment and
22 thank Mark and the EPA people who worked on this for
23 the gracious way you have handled all these questions.
24 Even though we tried to stay on topic, we kind of
25 strayed. You know, you don't seem to have a delete

1 button in your brain, but thank you very much.

2 MR. FRIEDRICHS: It is a struggle, as you can
3 see. But thank you.

4 (Applause)

5 MR. BROOKMAN: So for my part, I will just
6 say thank you personally for your good humor and for
7 your endurance and your intelligence, and I will turn
8 it back to Mark for closing remarks.

9 MR. FRIEDRICHS: I don't think I have any
10 more. Stay in touch. And if you have any question for
11 me, I think my e-mail address has been on some of these
12 slides. But you can always send an e-mail to the
13 public comment e-mail box. That is a box that I
14 monitor regularly.

15 Michael, do you have any --

16 PARTICIPANT: (Off mike)

17 MR. FRIEDRICHS: Yes, Bob?

18 MR. SCHENKER: Bob Schenker, General
19 Electric. Am I correct in presuming that our 2004
20 emission inventories that we would be reporting by
21 about July 1st of this year in the same method as we
22 did last year?

23 MR. FRIEDRICHS: Exactly. We are hoping for
24 the big changeover to occur next year.

25 (Whereupon, at 1:00 p.m., on Wednesday, April

1 27, 2005, the proceedings were concluded.)

2